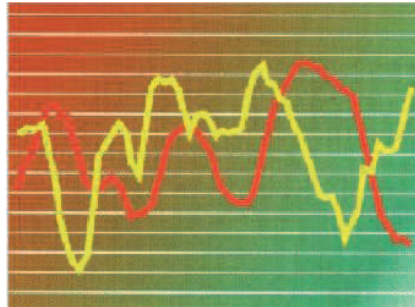


Economic Outlook



17 NOVEMBER 2020

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Introduction

The arrival of a second wave of the epidemic has altered the timescale of the crisis

Most of the macroeconomic figures for Q3 2020 are now available. Like the Q2 figures, they track an unprecedented sequence of events in which a large part of the economy came to a standstill before picking up again. The rebound was strong: French GDP increased by +18.2% in Q3 compared to Q2, bringing year-on-year change to -4.3% (against -18.9% the previous quarter).

This large-scale turnaround ultimately took place over a relatively short period of time: available monthly data suggest that most of the rebound happened in May and June, well before the start of Q3. It was helped by an economic policy that aimed to preserve the productive fabric and household income as far as possible, by increasing public debt. A Focus in this issue of *Economic Outlook* shows to what extent the short-time working scheme was able to ensure that employment fell much less than the volume of paid work since last March.

However, the second wave of the epidemic and the second lockdown of the population have thwarted this rebound and changed the timescale of the crisis. In addition to the contraction in GDP that is already expected for Q4, it is now fairly probable that the health and economic situations will continue to be linked together for at least the first half of 2021.

The expectations of economic stakeholders are therefore being adapted accordingly. The prospect of a vaccine, if it materialises, suggests that the end of the health crisis may be on the horizon.

Astonishment has given way, as far as possible, to adaptation

As at the time of the first lockdown in March, this issue of *Economic Outlook* focuses on an assessment of the current economic situation (especially GDP and household consumption levels), using different types of data, and “high-frequency” data in particular for the beginning of November. Once again, the trends observed were both sudden and on a large scale, although the contraction appeared to be less severe than in March.

Astonishment appears to have given way to adaptation and learning. Regarding production, with remote working now in place, or, when this is not possible, health protocol implementation which has now become fairly routine, and the reopening of schools, these measures will ensure less of a contraction in economic activity. In November, it is expected to be about 1% below its pre-crisis level (against about 30% in April), an estimate close to that calculated recently by the Banque de France. Construction and industry in particular should see some much smaller losses than in April. Although health protection measures ensure a certain continuity in production, they nevertheless do have an effect: almost half of the businesses questioned for our business tendency surveys considered that these measures reduce their productivity.

Regarding household consumption, the decline is likely to be a little more pronounced than the decline in GDP, of the order of -15% compared to the pre-crisis level, or half of the fall recorded during the first lockdown. The range of businesses remaining open is a little larger than in spring; distance selling and home delivery services have grown substantially, but they are still far from making up for the losses of consumption associated with the closure of “non-essential” activities and businesses.

A study of the aggregated amounts of CB bank card transactions, available on a daily basis, shows several differences compared to the first lockdown, thus confirming that consumer behaviour has adapted. Online sales soared from the very start of the second lockdown, whereas they were weak at the end of March. Precautionary purchases (food, fuel) were not as huge as during the days leading up to the first lockdown.

While the economic rebound associated with the end of lockdown was particularly strong in France, the high-frequency data at this stage suggest greater losses for November than in the main neighbouring countries

According to the national accounting data for Q3 2020, the year-on-year change in GDP in France (–4.3%) is comparable to that of Germany (–4.2%) and slightly more favourable than that of Italy (–4.7%). Losses in activity compared to Q3 2019 are almost twice as high in Spain (–8.7%), which has been heavily penalised, especially by the weight of tourism in its economy, and in the United Kingdom (–9.6%), affected in addition by the resurgence of uncertainty surrounding *Brexit*.

High-frequency data available for the different countries (mainly search engine queries and statistics on travel) reflect the tightening of health measures in the face of the second wave of the epidemic across Europe. At the present stage, the effects of these measures introduced at the beginning of November appear to be more strongly felt in France than in most of the neighbouring countries, whether in the use of public transport, for example, or numbers going to non-food retail stores, places of recreation or restaurants.

What scenarios can we expect for December?

There is still a great deal of uncertainty surrounding the end of the year, dependent on the evolution of the epidemic. For this reason, three scenarios are analysed in this issue of *Economic Outlook*. In the most favourable case, activity in December looks set to recover its October level, i.e. 4% below its pre-crisis level. In the least favourable scenario, activity in December is likely to remain at its estimated level for November, i.e. 13% below its pre-crisis level. Finally, in an intermediate scenario (15 days of lockdown similar to November then 15 days with the easing of some restrictions), activity in December is expected to be about 8% below its pre-crisis level.

In Q4, quarterly change in GDP is therefore expected to be between –2½ and –6%, depending on the scenario (with –4½% for the median scenario). Annual change in GDP in 2020 is likely to be around –9 to –10%. ■

Economic activity

After a sharp drop in economic activity in Q2, to -18.9% compared to Q4 2019, then a strong rebound which reduced this gap to -4.1% in Q3, the end of 2020 has been affected by a second wave of the epidemic and the introduction of a further lockdown of the population. The gap between current activity and the pre-crisis level is therefore likely to widen further in November, to -13%. According to our median scenario, this gap is expected to be -8% on average across Q4, which would be a smaller loss of activity than in Q2. Consequently, GDP is expected to drop by about 4½% between Q3 and Q4 2020, and by about 9 to 10% as an annual average between 2019 and 2020. On the one hand, the health restrictions are a little less constraining than during the first lockdown, notably with the opening of schools and the stated objective of allowing as many people as possible to continue to work. On the other hand, the experience in the spring has resulted in a learning curve, whether in terms of general preventive measures, health protocols, teleworking, local production and supply chains and even household consumption behaviours.

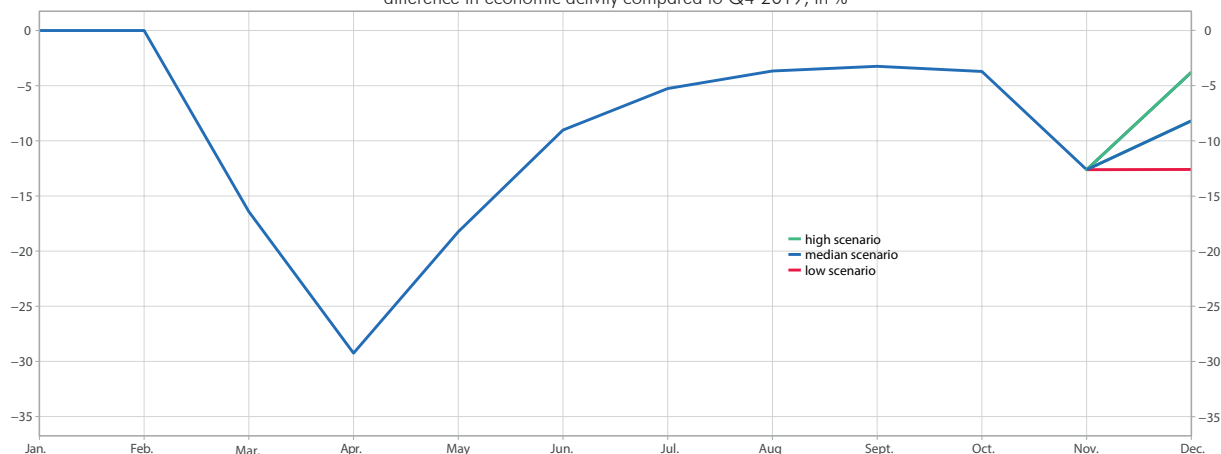
After a strong, somewhat automatic rebound in Q3, French economic activity is expected to plummet once again during a Q4 spent partly in lockdown

After a collapse in activity of 18.9% in Q2 compared to the pre-crisis level (Q4 2019), this gap narrowed to -4.1% in Q3. The rebound was particularly strong in June, and continued into July and August, before slowing down in September (Graph 1).

In fact, after a lull during the summer, the spread of the virus intensified in September, first in a localised way in just a few major cities. Measures targeting specific local areas and sectors (accommodation-catering, cultural and sports activities) were taken from the end of September, then tightened in October with the introduction of a curfew. At first this was limited to a few departments, then extended to cover more of the country. With the epidemic continuing to spread, a new lockdown came into effect on 30 October, which is due to last at least until 1st December.

1 - Estimated then forecast monthly loss of economic activity

difference in economic activity compared to Q4 2019, in %



How to read: in November, economic activity is expected to be down by about 13% compared to its Q4 2019 level. According to the median scenario, it should settle at -8% in December

Source: INSEE calculations from various sources

This second lockdown is not an exact repeat of the first, however. For the most part, factories and building sites are continuing their activity. When teleworking is not possible, health protocols are now well established in workplaces to enable work to continue. More shops remain open, especially in the wholesale sector. Finally, schools (but not higher education establishments) are to a large extent welcoming their students back.

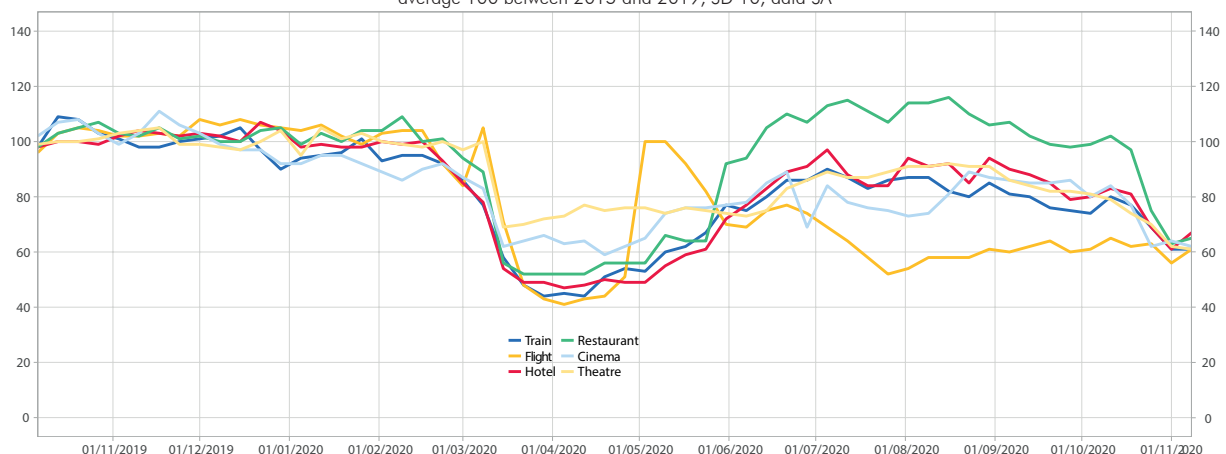
In this respect, some “high-frequency” indicators can provide advance information on activity in specific sectors. This is the case, for example, with the number of queries on the Google search engine (*Graph 2*). Searches for the word “restaurant”, which were already down at the end of September, continued to decline in October then fell dramatically at the start of November; the same was true at the end of October for the words “hotel”, “cinema” and “theatre”, while searches for “flight” remained

steady, but at a very low level. Total time spent at home, compared to a normal situation, is an indicator derived from Google Maps Mobility Reports, and also gives a rather remarkable insight into estimated monthly losses of activity since April (*Graph 3*). The rise in the indicator during the first weeks of November suggests a further decline in activity, although teleworking may also be affecting changes in this indicator.

Meanwhile, the media sentiment indicator (see *Economic Outlook* of 17 June 2020 and *Methodology Box*) expresses the deterioration in the economic environment as seen by the media (*Graph 4*). The decline in the indicator in October seems to anticipate a decline in activity in November, although this time it is not nearly as strong as during the first lockdown. After 30 October, media reports seem to be indicating only moderate pessimism, perhaps reflecting announcements about the prospects for a vaccine

2 - Frequency of keyword searches on internet

average 100 between 2015 and 2019, SD 10, data SA

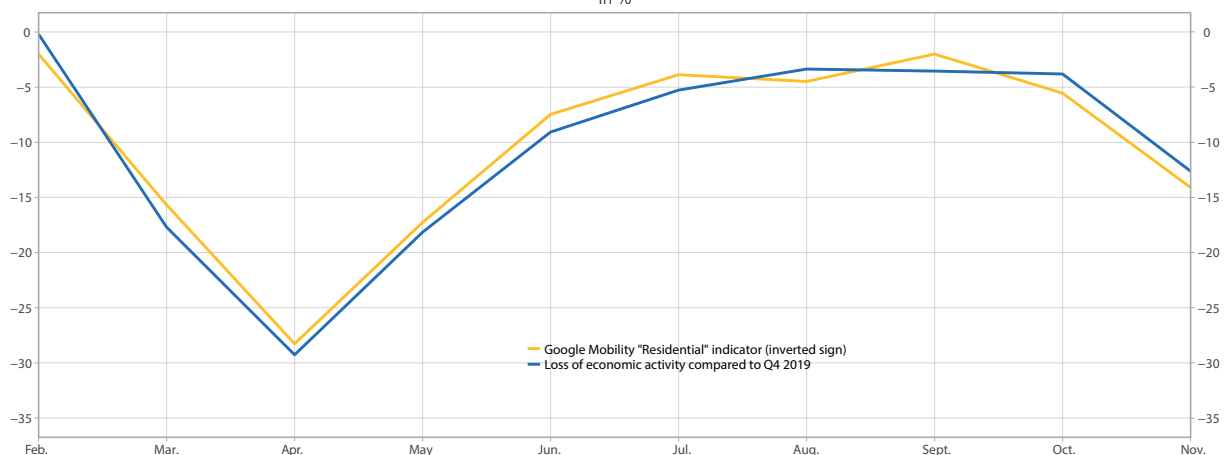


How to read it: during the week of 27 September to 3 October, the frequency of internet searches for the word “vol” (“flight” in English) via Google was almost 4 standard deviations lower than that observed on average between 2015 and 2019.

Source: Google Trends, INSEE calculations

3 - Indicator of total time spent at home monthly (compared to a normal situation) and monthly losses of economic activity (estimated and forecast)

in %



How to read: for November, the data for this indicator are currently available up to 10 November. Monthly values are the averages of daily indicator values. The sign of the indicator has been reversed for easier comparison with monthly loss of activity.

Source: Google Maps Mobility and INSEE

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or the fewer restrictions introduced in the second lockdown compared with March.

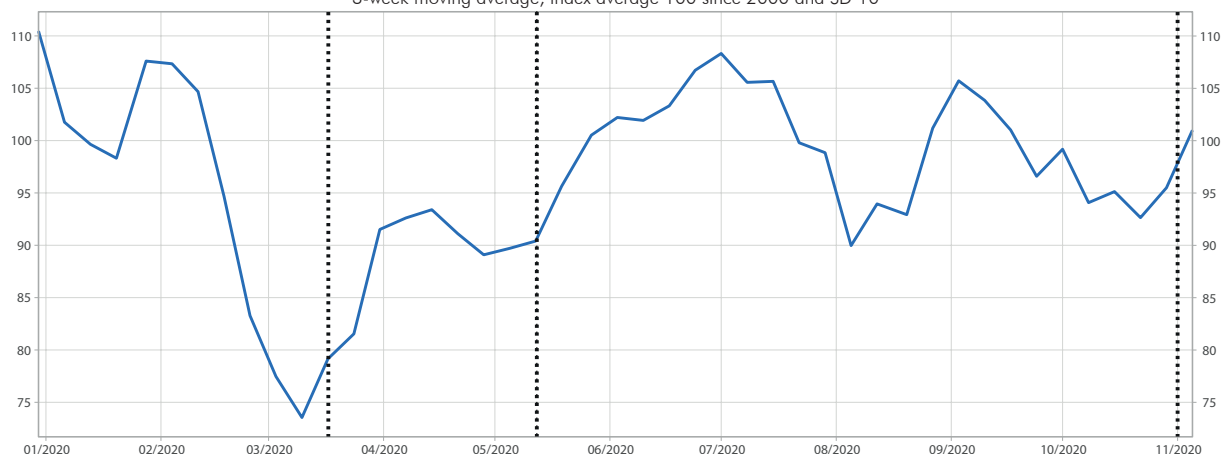
Electricity data are also a good economic indicator, being correlated with changes in activity (*Economic Outlook* of 8 July 2020): total RTE consumption was at a standstill in week 45 (2 to 8 November), at -7.0% below its average level (*Graph 5*). Data on electricity withdrawals by businesses connected directly to RTE seem, on the whole, to be holding up (*Graph 6*), but with some disparities according to the branch (significant drop in transport in week 45, and a lesser decline in automobile construction that started in week 42, although with no sharp downturn).

In Q4, activity is likely to deteriorate, especially in services most directly affected by lockdown, but should be more resistant in industry and construction

In the latest editions of *Economic Outlook*, the trajectory of the economic recovery after the shock in Q2 had been forecast based on the ACEMO-Covid survey, carried out by DARES in association with INSEE. It questioned businesses on the pace at which they expected their activity to "return to normal". However, the, most recent

4 - Media sentiment indicator to 13 November 2020

3-week moving average, index average 100 since 2000 and SD 10

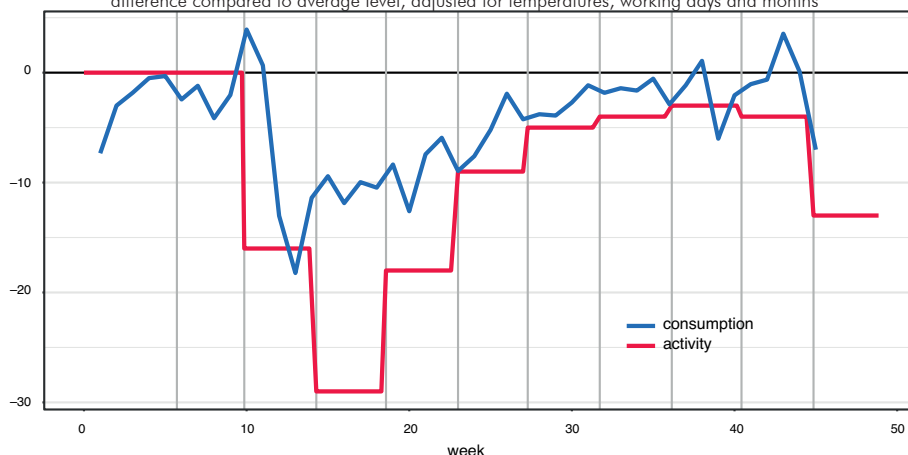


How to read: on 17 March 2020 (start of the first lockdown, shown by the first vertical dotted line) the value of the index stood at 75, i.e. 2.5 standard deviations from its average. In October 2020, the index fell to slightly over 90, suggesting a deterioration in the economic environment as the health situation worsened. The second dotted line shows the end of lockdown on 11 May, the third represents the start of the second lockdown on 30 October.

Source: INSEE calculations from *Les Echos* daily newspaper

5 - Weekly levels of electricity consumption and estimated then forecast monthly losses of activity

difference compared to average level, adjusted for temperatures, working days and months



How to read: during week 45, electricity consumption was down by about -7% compared to the average level of consumption in an equivalent week with identical temperatures. Seasonality was estimated across these data from 2018, which means that the adjustment is relatively fragile.

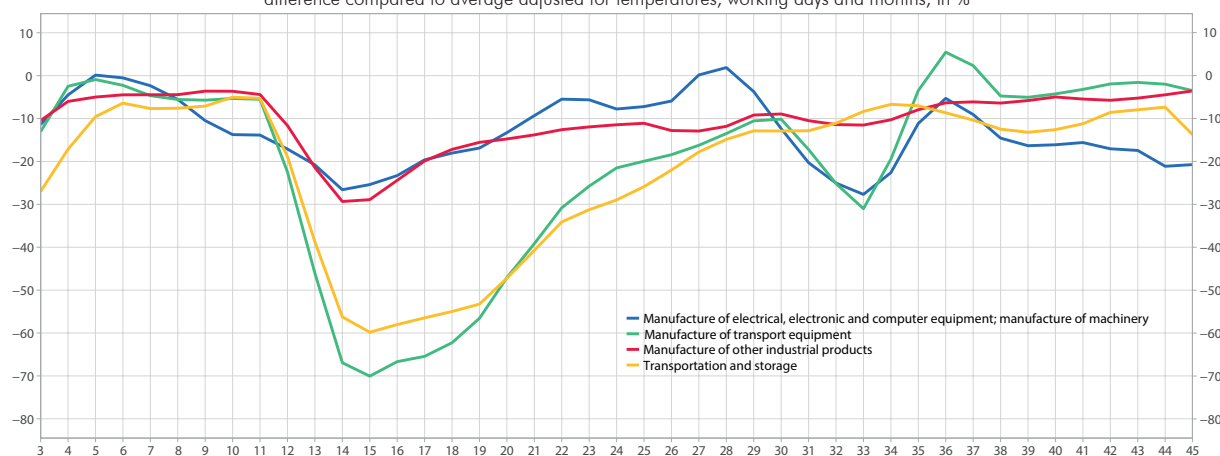
Source: Réseau de transport d'électricité (RTE), INSEE calculations

edition of the survey covered October and the current environment is no longer one of recovery. Activity for November was estimated by mobilising other methods and information sources: “high-frequency” indicators for the first days of November, feedback from professional federations, losses of activity in April, May and June as points of comparison for branches directly affected by lockdown, which are concentrated mainly in services, and finally, an estimate of how this shock has spread to the rest of the economy, in the other branches that are most dependent on those that are directly affected.

All in all, economic activity in November is likely to be 13% below its pre-crisis level (after -4% in October, [Table 2](#)). The forecast for activity for all of Q4 remains uncertain, as it depends on the development of the epidemic and health restrictions in December. The median scenario chosen here is for a lockdown that extends across the first half of December, followed by an easing of some measures during the second half of the month: the loss of activity in Q4 2020 would then be 8%, compared to Q4 2019. A more favourable scenario would see activity in December return to its October level, with ultimately a loss of activity of

6 - Electricity consumption in some of the main consumer sectors

difference compared to average adjusted for temperatures, working days and months, in %

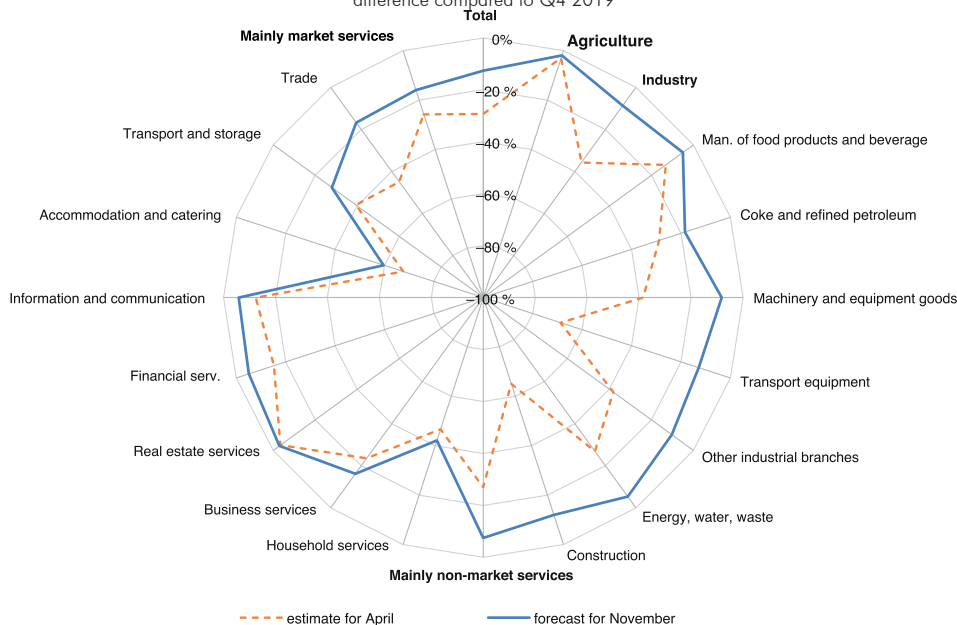


How to read: during week 45, electricity consumption by companies in the transport and storage branch connected directly to the electricity network was down by 14% compared to the consumption level in a normal week.

Source: Réseau de transport d'électricité (RTE), INSEE calculations

7 - Comparison of losses of activity by branch observed in April and forecast for November

difference compared to Q4 2019



How to read: in November, economic activity in the accommodation-catering branch is expected to decline by about 60% compared to the pre-crisis level according to our median scenario, against -68% in April.

Source: INSEE estimation from various sources

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6½%. Conversely, a more unfavourable scenario would be for lockdown to be extended until the end of December, with ultimately a loss of activity of -9½% over the quarter compared to the pre-crisis level. After the rebound to +18.2% in Q3 (in progress), GDP is expected to fall again in Q4, by 4½% according to our median scenario (Table 1). As an annual average, the forecast for GDP contraction in 2020 is likely to be around -9 to -10%.

Overall, November is expected to see a considerable decline in activity, less so than in April, but extending to all branches (Graph 7). On the one hand, fewer branches are directly affected by the restrictive measures: although it is certainly still the case for accommodation-catering, transport services and other service activities (especially leisure activities), it is much less so for scientific activities and support services (for the most part the environment has deteriorated less and businesses are continuing with their activity), construction (worksites carrying on), trade and repair (context deteriorated less and wider range of stores not closed under the regulations), and most branches of industry (factories in operation). On the other hand, some branches that are directly affected are perhaps able to adapt in part to the lockdown regulations and avoid a

total shutdown of their activity (takeout sales in restaurants, collection of prepaid purchases from bookshops, etc.), although they are nevertheless seriously affected.

In November, the greatest losses in activity (Table 2) look set to be in accommodation-catering (-60% compared to their pre-crisis level, after October was already affected by the curfew), other service activities (-42%, due to the closure of museums, libraries and sports centres, and the cancellation of shows) and transport services (-28%, due to restrictions on tourist travel and business trips). Other branches, such as agrifood, for example, are not expected to be affected directly, but are likely to deteriorate nevertheless, because of the drop in activity of the more severely affected branches on which they depend, such as accommodation-catering. Negative expectations, even in branches where regulatory constraints are weak, could also contribute to a decrease in activity. This could be the case in construction (especially work for private individuals) where the loss of activity is expected to be -12%, scientific and technical activities, and administrative and support services (-16%). In other branches, such as the manufacture of transport equipment or materials, activity is expected to hold up. ■

Table 1 – Estimate then forecast of losses of economic activity in 2020

in %

				scenario					
				high	médian	low	high	médian	low
	2020Q1	2020Q2	2020Q3	2020Q4			2020		
Change	-5.9	-13.7	18.2	-2 ½	-4 ½	-6	-8.9	-9.3	-9.6
loss of activity		-18.9	-4.1	-6 ½	-8	-9 ½			

How to read: in Q4, loss of activity compared to the pre-crisis level is estimated at -8% in our median scenario (against -6½% and -9½%, in our most favourable and least favourable scenarios respectively); this represents a drop in GDP of about -4½% compared to Q3, after a rebound of 18.2% in Q3. Note: loss of economic activity in a given month or quarter is measured in relation to Q4 2019. However, the variation in GDP for a given quarter is, by definition, calculated from the level of activity in the previous quarter. Change and loss of activity for Q4 2020 are rounded to the nearest half percentage point.

Source: INSEE calculations from various sources

**Table 2 - Detailed forecast of loss of activity in Q4 2020 (median scenario)
difference compared to pre-crisis level (Q4 2019)**

in %

Sectors	Share of GDP (in %)	Q2 2020	Q3 2020	Oct. 2020	Nov. 2020	Dec. 2020	Q4 2020	Q4 2020 contribution (in points)
Agriculture, forestry and fishing	2	-1.9	-1.6	-1	-2	-1	-1	0
Industry	14	-23.2	-6.6	-4	-9	-7	-6	-1
Manufacture of food products, beverages and tobacco-based products	2	-9.6	-1.8	-2	-5	-3	-3	0
Coke and refined petroleum	0	-17.3	-28.8	-18	-18	-18	-18	0
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	1	-24.1	-5.8	-5	-8	-7	-7	0
Manufacture of transport equipment	2	-50.9	-20.9	-10	-13	-11	-11	0
Manufacture of other industrial products	6	-23.9	-5.6	-3	-10	-7	-7	0
Extractive industries, energy, water, waste treatment and decontamination	2	-15.1	-3.6	-3	-5	-5	-4	0
Construction	6	-31.2	-5.6	-3	-12	-7	-7	0
Mainly market services	57	-17.9	-4.9	-5	-16	-11	-11	-6
Trade; repair of automobiles and motorcycles	10	-19.6	-3.2	-3	-17	-10	-10	-1
Transport and storage	5	-32.1	-14.6	-20	-28	-24	-24	-1
Accommodation and catering	3	-52.6	-14.3	-31	-60	-45	-45	-1
Information and communication	5	-9.7	-3.9	-4	-6	-5	-5	0
Financial and insurance activities	4	-10.6	-1.8	-1	-5	-3	-3	0
Real estate activities	13	-3.0	-0.1	0	-3	-1	-1	0
Scientific and technical activities; administrative and support services	14	-20.5	-6.0	-1	-16	-9	-9	-1
Other service activities	3	-35.3	-9.5	-18	-42	-30	-30	-1
Mainly non-market services	22	-16.8	0.0	0	-7	-4	-4	-1
Total	100	-18.9	-4.1	-4	-13	-8	-8	-8
<i>of which mainly market</i>	78	-19.4	-5.2	-5	-14	-9	-9	-7
<i>of which mainly non-market</i>	22	-16.8	0.0	0	-7	-4	-4	-1

How to read it: in June, economic activity would seem to have declined by 4% compared to a normal situation. The loss of activity in industry in November is estimated at 6%, which is expected to contribute 1.9 percentage points to this decline.

Source: INSEE calculations from various sources

Box

Methodology for constructing the media sentiment indicator

Using text analysis techniques, automated online data collection (*web scraping*) and machine learning, a media sentiment indicator on the French economy was produced from online articles in *Les Echos*, a French daily newspaper. To do this, the words appearing in every article are categorised and classified as "positive" (or "negative"), according to whether they reflect an "optimistic" (or "pessimistic") opinion on French economic activity on the day the article was published. An indicator can then be calculated comparing the occurrence of "positive" words

with "negative" words: this measures the general tone of the newspaper regarding the country's economic situation on a given day. According to the number of positive and negative terms in the article, a "sentiment score" can be attributed: the value of the media sentiment indicator in a given month is the average of the "scores" from that month's articles. The indicator is therefore dependent on the quality of the dictionary and the vocabulary used in the article. It is then centred around a mean of 100 and reduced to a standard deviation of 10 for the entire period from 2000. ■

In October 2020, health protection measures reduced productivity for almost half of businesses

In October 2020, some new questions were added to the quarterly business tendency surveys in industry, services and the building construction industry, the aim being to define the repercussions of the health crisis on productivity in these companies. A quarter of business leaders in industry and in services said that their workforce was relatively large, given their current level of activity, hinting at a downward adjustment in the future, even before the announcement of the new lockdown. For 46% of businesses in services, 40% in industry and 56% in building construction, who were all surveyed in October, health protection measures reduce productivity, resulting in significant organisational difficulties. The opinion businesses expressed on teleworking was qualified: it appears to ensure that some activity can be maintained, especially in services, but it tends to slow the circulation of information within teams.

In October 2020, about a quarter of business managers in industry said that their workforce was relatively large given their current level of activity

Since the start of 2020, employment has contracted significantly less than activity, suggesting that employers are keeping on a considerable proportion of their labour force, helped, in particular, by the use of the short-time working scheme. According to the business tendency surveys of enterprises in October 2020, a little over one-quarter of business leaders in industry (28%) and a little more than one-fifth in services (22%) replied that their workforce was relatively large given their current level of activity (see *Method*). This proportion is lower in the building sector (16%).

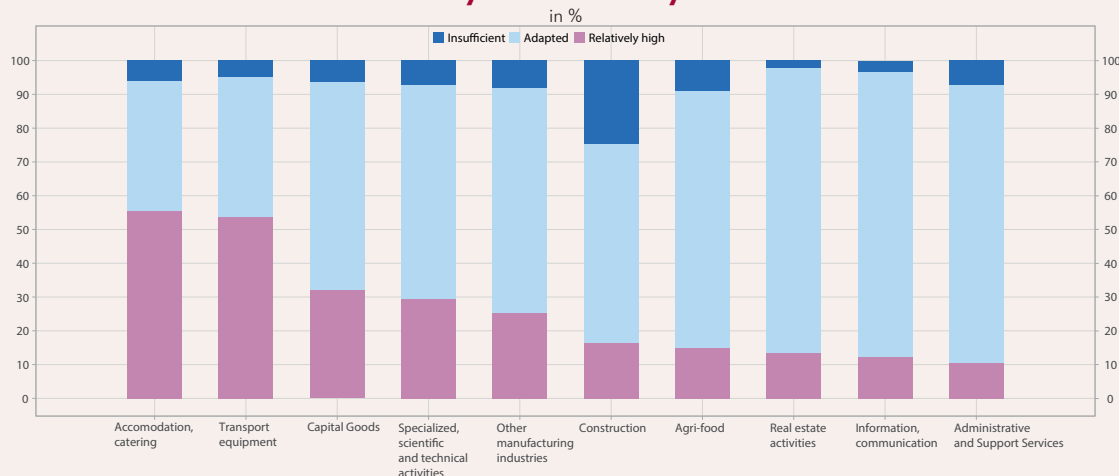
In October, workforce retention appeared to be particularly widespread in accommodation-catering and in the manufacture of transport equipment, with companies that considered their workforce was large compared to their level of activity (*Graph 1*) accounting for more than half of employment. In fact, according to the quarterly accounts, value added in

both these branches decreased by half in volume between Q4 2019 and Q2 2020, while adjustment of the workforce was much less, although still considerable (–12% and –6% respectively, *Graph 2*). According to DARES, in September the share of employees actually on short-time working was still more than 20% and 10% respectively in these two sectors after exceeding 50% in June.¹ Responses from companies in October 2020 suggest that this workforce retention was still common in October. This is also the case in the manufacture of capital goods sector where those companies that estimated that their workforce was relatively large represented almost a third of employment. In this sector, workforce retention is therefore likely to remain a little more common than in “other manufacturing industries”, where the workforce adjustment was a little more marked in H1, for a similar drop in value added.

In the building construction industry, however, about one-quarter of employers declared that their workforce was insufficient given their activity, while adjustment to the workforce, including temporary workers, remained at a very modest level (–3%)

1. DARES, weekly dashboard on the labour market situation (20 August 2020, 27 October 2020).

1 - Opinion of businesses on their workforce size given their current activity, in October 2020, by sector of activity



How to read it: surveyed in October 2020, 56% of businesses in the accommodation-catering sector declared a relatively large workforce given their current level of activity.

Note: results are weighted according to the workforce of the units surveyed.

Source: INSEE, business surveys in industry, services and construction

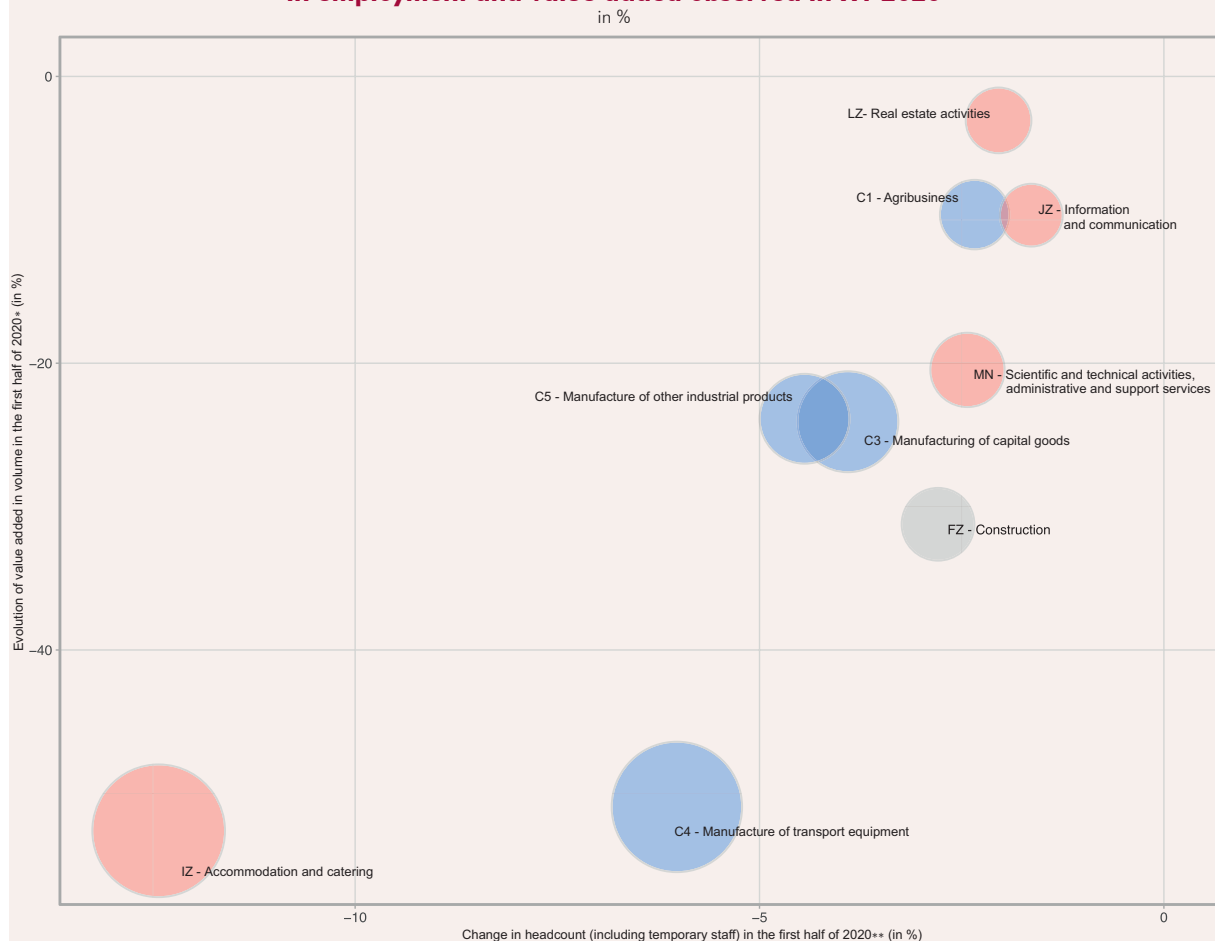
compared to the decline in activity, which was 31% in H1. In this sector, the accumulated delay in building sites during lockdown is likely to limit any reduction in the workforce. Hiring difficulties, which have been at their peak since the end of 2018, remained at a high level, although they have slipped back a little since the health crisis.

In October 2020, for 46% of service companies, health protection measures reduced productivity

On average, in October 2020, 40% of business managers in industry and 46% in services reported that health protection measures (wearing a mask, physical distancing, etc.) had a negative effect on productivity in their company. This proportion was much higher in building construction, where it reached 56%.

In industry, many companies, notably those manufacturing transport materials, declared a loss in productivity: 64% believed that the health protection measures were having an adverse effect. According to the ACEMO-Covid survey carried out by DARES in association with INSEE, it was these same companies that had put the most extensive health protection measures in place, including reorganising their premises, increasing frequency of cleaning, adapting work schedules and staff shifts. Companies manufacturing capital goods were also affected more than average, but to a lesser extent: 48% declared that these measures had an adverse effect on productivity. Conversely, agrifood and pharmaceutical companies were affected relatively little, probably in part because their production processes already involved stringent health constraints.

2 - Businesses' opinion on their workforce size in October 2020 according to changes in employment and value added observed in H1 2020



How to read it: the size of the circles represents the percentage of businesses declaring a relatively large workforce. This level is highest in accommodation-catering. In this branch, value added in Q2 2020 was 53% less than in Q4 2019, while the workforce in this sector declined by only 12% during H1 2020. Notes: the size of the circles is proportional to the businesses in the sector declaring a relatively large workforce. The colour of the circles depends on the sector (blue for industry, pink for services and grey for construction). Replies to the business tendency survey questions are weighted by workforce size, excluding temporary workers, in the units surveyed.

*Value added of the branch in volume at Q2 2020 compared to Q4 2019.

**Workforce at the end of June 2020 compared to the end of December 2019. Temporary workers are counted in the sector where they carried out their assignment.

Source: INSEE, business surveys in industry, services and construction, quarterly accounts, salaried employment data

In services, there appears to be a very wide range of situations. In accommodation-catering, more than three-quarters of businesses said that the health protection measures had a negative effect on productivity. In particular, they stressed the extra time needed to carry out tasks and the increased cost of supplies and staff associated with more frequent cleaning. In addition, companies in catering highlighted the loss of seating capacity to allow for spaces between tables.

Finally, in information and communication, companies that believed that the health measures had a negative effect on their productivity represented only 12% of jobs. This sector is different because it currently uses teleworking extensively, according to the ACEMO-Covid survey, which is no doubt facilitated by their work practices pre-crisis. The significant decrease in workers present on site could reduce the cost of implementing other health protection measures.

More marginally, 11% of companies in services, 5% in industry and 3% in building construction reported that the health measures had a positive effect on productivity. For these respondents, the measures put in place enabled them to maintain their activity, at least in part, they could reassure employees and customers and limit staff absences.

The health context requires major reorganisation by companies

According to the companies questioned in October, reorganising activity (logistics, supply, job sequencing, etc.) had an adverse effect on productivity for 43% in building construction, 32% in services and 31% in industry. The reorganisation measures that companies mentioned were essentially in response to the constraints imposed by the health protection

measures. The majority of companies reporting adverse effects of reorganisation also reported that the health measures had an adverse effect.

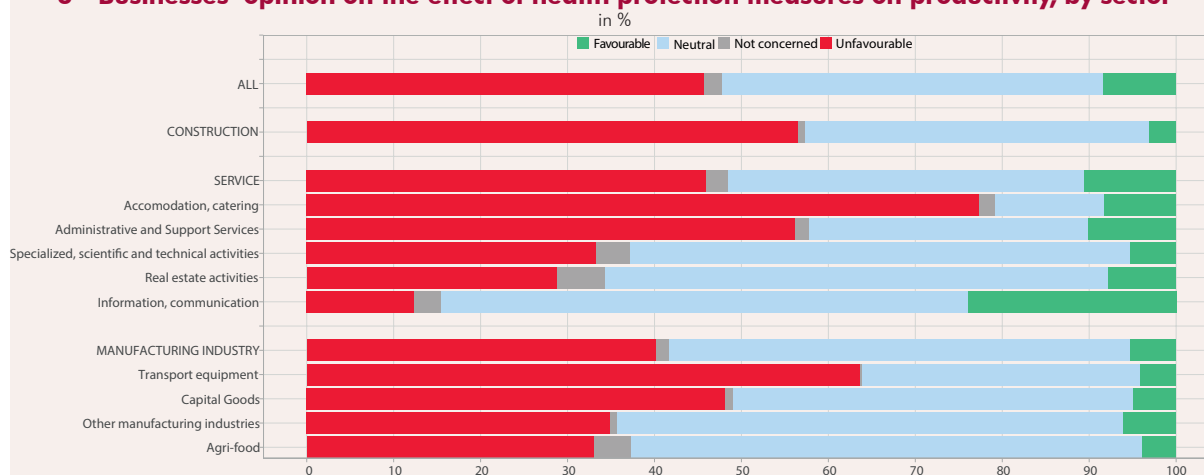
In building construction, the health measures gave rise to considerable delays on building sites, sometimes requiring a review of their entire organisation. The limiting of co-activity onsite was often mentioned by respondents as a reason for a slowdown in activity. Companies also focused on difficulties associated with transporting staff to their work site (not enough vehicles, time spent disinfecting) and supply problems.

In services, some companies reported the reorganisation of their offices, but they especially highlighted the cost in human resource management: negotiating teleworking contracts, providing equipment, frequent revisions to schedules due to staff absences directly related to the epidemic (childcare, managing contact cases, etc.). In the specialist scientific and technical services sector, organising meetings with customers became complicated and some professionals were suffering the consequences of construction delays.

Finally, in industry, physical distancing requires a reorganisation of production chains: limit of one employee per work station, staggered hours, etc. In addition to the drop in pace and the risk of demotivating employees in the face of these constraints, respondents also reported a high managerial cost both in defining this new organisation and in managing possible employee absences.

Marginally however, these reorganisations were sometimes seen as an opportunity for process optimisation (adjusting working time or staff required, accelerating switch to paperless processes, etc.).

3 - Businesses' opinion on the effect of health protection measures on productivity, by sector



Note: the results are weighted by the number of employees in the units surveyed.

Source: INSEE, business surveys in industry, services and construction

In the context of the COVID-19 pandemic, just over one-tenth of companies considered that teleworking was detrimental to productivity

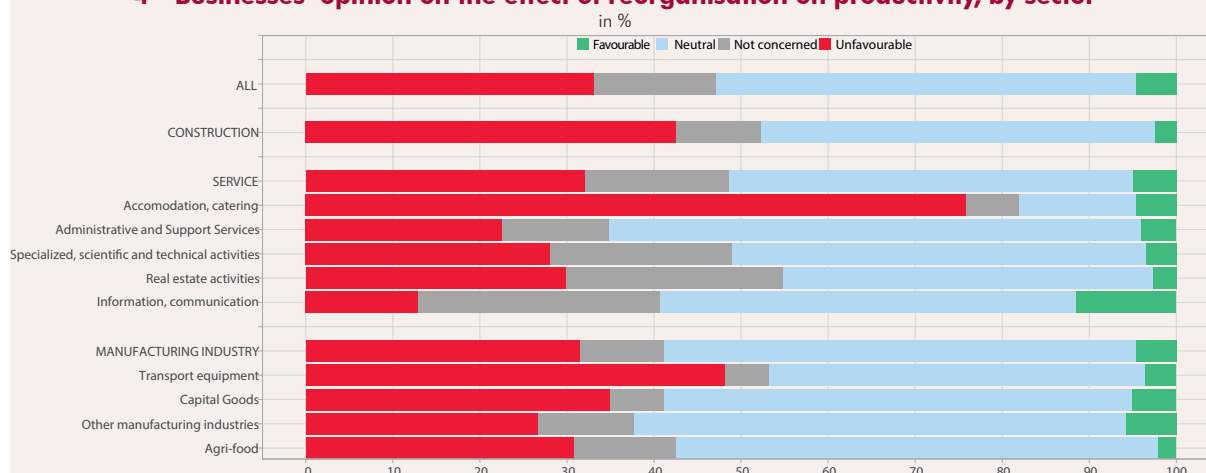
In the context of the health crisis, teleworking became widespread well beyond the circle of companies where it was already in place, and it is likely that this strongly influenced the productivity of the workers concerned (Pora, 2020). In October 2020, a large majority of payroll employment was attached to companies that either reported that teleworking did not concern them, or considered that its effect on productivity was neutral, as some companies had no teleworking in place. Companies that considered that teleworking was detrimental to productivity represented only 11% to 12% of jobs on average, depending on the sector, in industry, services and the building construction industry. However, companies in building were much less often involved in teleworking, whereas in industry the majority of companies considered that it had a neutral effect. In both these cases, teleworking was often reserved for administrative staff.

Based on comments left by companies as they responded to the survey, teleworking was considered to have negative effects on productivity mainly because it slowed the circulation of information within teams. Companies also stressed that it could complicate communication or reduce staff responsiveness, with possible detrimental effects, especially in the case of multidisciplinary projects or studies where team collaboration is required. In addition, problems with connections or access to tools were sometimes reported.

Conversely, 12% of service companies and 11% of industrial businesses considered that teleworking was favourable to productivity, whereas this share was 5% in building construction. This effect should be considered in the context of the health crisis: based on comments left by companies, above all, teleworking made it possible to ensure that activity could continue and that employees could be safe, despite the health restrictions. ■

Juliette Grangier ■

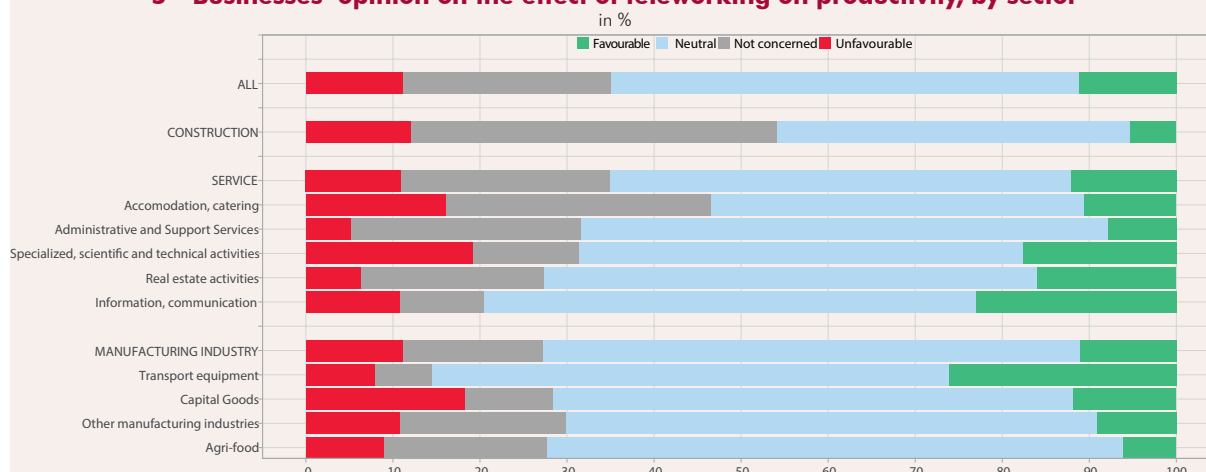
4 - Businesses' opinion on the effect of reorganisation on productivity, by sector



Note: the results are weighted by the number of employees in the units surveyed.

Source: INSEE, business surveys in industry, services and construction

5 - Businesses' opinion on the effect of teleworking on productivity, by sector



Note: the results are weighted by the number of employees in the units surveyed.

Source: INSEE, business surveys in industry, services and construction

Method

Repercussions of the health crisis on productivity: new questions in the business tendency surveys

In October 2020, some new questions were added to the quarterly questionnaires for business tendency surveys in industry, services and building construction, the aim being to define the repercussions of the health crisis on companies' productivity. The exact wording of these questions is given below.

The notion of workforce is not defined in the same way in the different sectors. In services, respondents are explicitly asked to include temporary workers. In industry and the building construction industry, the questionnaires mention "total workforce" but without providing an exact definition. Short-time working is not mentioned; employees on short-time working are in any case counted as part of the company's workforce.

Responses were collected between 28 September and 27 October 2020. The rate of response for this period, weighted according to turnover, was a little under 70%. The results given here are weighted according to the companies' workforces.

Of the 6,500 respondents to the module, about 1,700 left a comment about the impact of the measures put in place on their company's productivity. These comments allowed for a more in-depth appreciation of the responses to the qualitative questions.

The scope considered here is the usual scope of business tendency surveys in industry, services and the building construction industry. The new questions were not added to the survey of retail trade enterprises. Industrial companies with more than 20 employees were surveyed, also companies in the building construction industry with more than 10 employees. The services sector survey covers market services, excluding air, rail and water transport services, financial and insurance services, scientific research and development services and the arts, entertainment and recreation sub-sector. For Graphs 3 to 5, the total was obtained by weighting the results according to workforce size, excluding temporary workers, in Q2 2020 in industry, building construction and market services. ■

Figure 1 - New questions in the business tendency surveys in industry, services and the building construction industry

Repercussions of the health crisis on productivity

→ 4. Currently, given your level of activity, does your workforce appear to be:

- ☐ relatively large
- ☐ appropriate
- ☐ insufficient

→ 5. Currently, do the following measures affect the productivity of your business?

- | | | | | |
|--|-------------------------------------|----------------------------------|---------------------------------------|--|
| Health protection measures (face masks, physical distancing, etc.) | <input type="checkbox"/> favourable | <input type="checkbox"/> neutral | <input type="checkbox"/> unfavourable | <input type="checkbox"/> not concerned |
| Health protection measures (face masks, physical distancing, etc.) | <input type="checkbox"/> favourable | <input type="checkbox"/> neutral | <input type="checkbox"/> unfavourable | <input type="checkbox"/> not concerned |
| Health protection measures (face masks, physical distancing, etc.) | <input type="checkbox"/> favourable | <input type="checkbox"/> neutral | <input type="checkbox"/> unfavourable | <input type="checkbox"/> not concerned |

→ 6. Describe in a few words the impact on productivity of measures put in place in your company:

Learn more

Pora P., (2020) "Comment le télétravail affecte-t-il la productivité des entreprises ? Les enseignements très partiels de la littérature", sur blog.insee.fr, October 2020.

Dares, (2020) Activité et conditions d'emploi de la main-d'œuvre pendant la crise sanitaire Covid-19, October 2020. ■

The volume of work paid by companies, an invaluable indicator for analysing the current crisis

In Q2 2020, activity in France declined on an unprecedented scale. Over one year, output in the non-agricultural market branches dropped by 19%. By paying employees whose number of paid hours has dropped but who have not lost their jobs, the short-time working schemes announced and implemented in March 2020 have acted to a large extent as shock absorbers. Payroll employment fell by 2.7% between mid-2019 and mid-2020, significantly less than the drop in the volume of work paid by companies (–22%). Estimated from the information declared in companies' nominative social declarations, the volume of work they pay is an invaluable indicator for analysing the current crisis. Its fluctuations show that the magnitude of the fall then the rebound were very different, depending on the sector of activity and the area of the country.

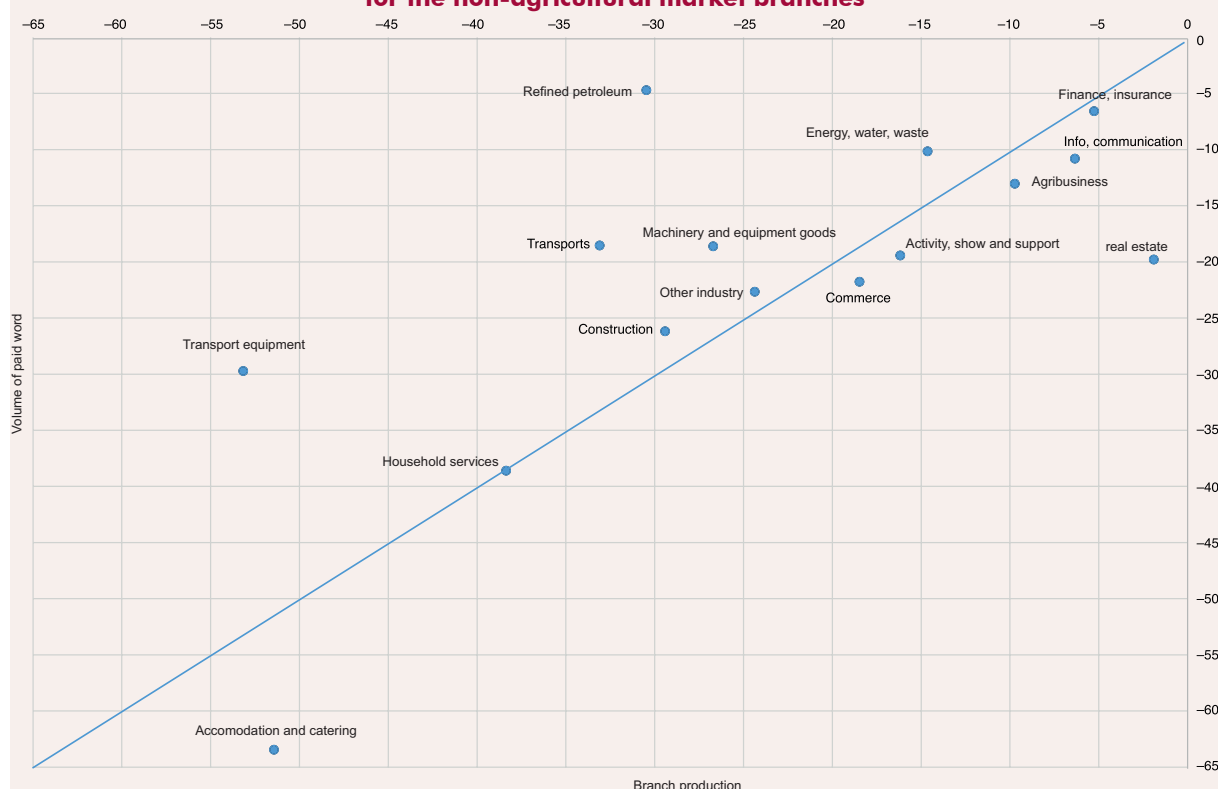
Since 2017, private companies have sent in every month their Nominative Social Declarations (DSN), a single, paperless submission to a group of bodies and administrations, which includes INSEE. Described as the last stage in processing company wages, the DSN provides information on the situation of each employee at the time they receive their pay.

Since March 2020, the information that companies have transmitted has shed light on their situation since the start of the crisis associated with the COVID-19 epidemic, especially regarding the

volume of work that they pay for each month. The volume of paid work is a major component of economic activity, although it is not measured directly (Box 1): firstly, because some absences, such as paid leave, are considered as paid work; secondly, because payment to employees may not reflect fluctuations in their productivity. However, the correlation with the activity in different branches during the current crisis appears to be strong enough (Graph 1) to analyse its impact in the light of this indicator, according to various characteristics of the employing establishments or their employees.¹

1. The fact that the volume of paid work declined less than activity in some branches may reflect an adjustment in employment via employees taking leave (considered as paid work); for the real estate branch, the opposite is true, but the work factor represents only a small proportion of the "activity" of the branch (which in national accounting includes the service provided by housing), as the two aggregates are not usually well correlated.

1 - Change (over one year) in volume of paid work and output in Q2 2020, for the non-agricultural market branches



Source: Quarterly national accounts, DSN - provisional treatment INSEE

Box

Paid activity and unpaid absences in the DSN

The estimate for the volume of paid work used in this Focus covered different sections of the DSN, in particular:

- **Volume of work entered on the employment contract.** This corresponds to the length of time that the employee should work during the month, taking into account only the weekly rest periods provided for by law (2 consecutive days per week). This section is completed using the standard figures: e.g. 151.67 hours¹ for a full-time employee, i.e. 35 hours per week (75.88 hours for a part-time employee); 21.67 days for an employee whose contract stipulates a fixed volume of work of 218 days per year. This is the volume of contractual work offered by companies.

- **Volume of paid work.** This corresponds to the length of time for which the employee is paid over the period. Notably, this includes overtime and also absences for which the employee receives pay, such as paid leave, public holidays or days allocated for reduced working time (RTT). This section is completed with a real value. Thus, an employee whose employment contract indicates 151.67 hours can be required to work between 140 and 161 hours per month, taking the calendar into consideration (i.e. depending on the number of working days in the month) and excluding considerations of overtime or flexible working time. All unpaid absences are of course deducted from these time durations and declared in the following section.

- **Duration of unpaid absence.** This corresponds to the sum, over the period under consideration, of the durations of all absences that did not give rise to payment. Unpaid leave of absence, sick leave with or without pay, periods of short-time activity are unpaid absences. Paid leave for employees in building construction, which is provided for by a paid leave fund, is declared as unpaid absence.

- **Overtime or occasional additional hours.** These correspond to extra hours worked when there is a temporary surplus of activity, requiring the employee's presence in addition to his usual working hours. For a part-time employee, these are called occasional additional hours when he works more hours than those stipulated in his employment contract.

- **Short-time working hours.** These correspond to the number of non-working hours to be compensated. When short-time working is introduced, wage-earning employees are not entitled to receive a wage but rather they receive a specific allowance that usually represents 70% of their gross hourly wage per non-working hour. The employer pays this allowance directly to the employees and is then reimbursed by the public administration. As short-time working can be a reason for suspension of the employment contract, it is declared in the DSN.

Slightly less than 10% of employment contracts declared in the DSN are contracts whose duration is expressed in days or a requirement in working days, whereas the volume of work in other contracts is expressed in hours. For the purposes of the analysis, the volumes of work in these contracts have been converted into hours by considering, according to convention, that one day is equivalent to 7 hours (different agreements produce quantitatively similar results). In addition, temporary employees have been counted in the user sector and not in their employer sector (i.e. the temporary staffing agency).

After consolidation, the different sections of the DSN are linked together using the following equations:

(1) $\text{volume_paid_work} = \text{volume_employment_contract} - \text{unpaid_absences} + \text{hours_overtime}$

(2) $\text{unpaid_absences} = \text{hours_short-time_activity} + \text{other_absences (sick leave, etc.)}$

Using these equations, an accounting breakdown of the volume of paid work can be produced (*Graph 2*). This breakdown shows that the contributions from the volume of the employment contract depend mainly on the number of people concerned by an employment contract, a number that has declined over the year since the health crisis began.

Next, in order to analyse the decline in activity according to the characteristics of the employees (profession, type of employment contract, age, etc.), we must switch to an individualised volume of work, using the ratio of the volume of paid work to a number of posts. As the adjustment of employment to the health crisis was on average much more intensive (decrease in volume per employee) than extensive (decrease in number of posts), the overall profile of the volume of work "per post" is similar to that of the "overall" volume but on a smaller scale (*Graph 7*). ■

1. 151.67 is the product of 35 hours (per week) and an average of 4.33 weeks per month (=52/12).

The use of short-time working cushioned the decline in activity in Q2

In Q2 2020, the volume of work paid by private sector companies fell back 22% compared to Q2 2019, after -3% in Q1. At the height of the crisis, in April 2020, the decline was as much as 33%. The relaxing of protection measures against the epidemic at the start of the summer meant that activity was able to recover in many sectors although their level remained below "normal"; thus in September 2020, the volume of paid hours remained 5% below its level in the previous year.

By compensating employees whose number of paid hours has fallen but who have not lost their jobs, the short-time working schemes decided on and implemented in March 2020 have played a major role as shock absorbers. Thus, payroll employment fell by 2.7% between mid-2019 and mid-2020, significantly less than the decline in the volume of paid work. In fact, between April and June 2020, the use of the short-time working schemes accounted for 70% of the drop in the volume of paid work over a year (Graph 2). During summer 2020, this contribution was only 50%: in addition to the overall improvement in activity, the explanation also lies in the fact that during the summer, many employees on paid holidays continued to be paid by their employer.

All in all, the decline in the volume of paid work observed from March to September 2020 corresponds to the work produced by 2.4 million full-time employees over the same period a year earlier, or 12% of the workforce of the companies concerned.

The scale of the decline then the rebound varied greatly, depending on the sectors of activity

Sectors where activity was considered as non-essential or where it was closely linked to tourism

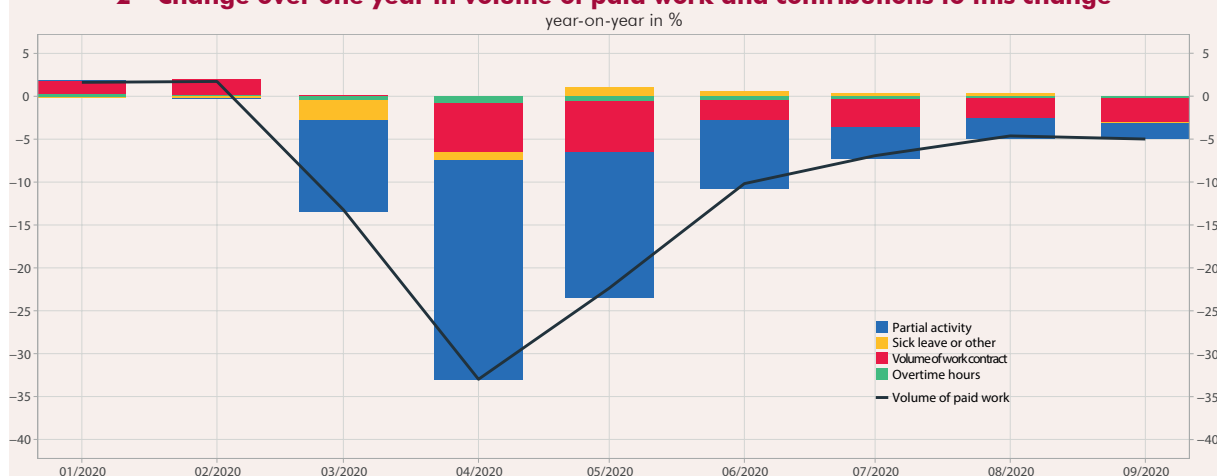
were where the volume of paid work plummeted furthest in April 2020, well below the average decline in the private sector of 33% (Graph 3). These sectors were mainly catering (-81%), accommodation (-76%), personal services (hairdressers, dry cleaners, etc.: -71%), trade and repair of automobiles (-59%), artistic activities and entertainment (-57%), air transport (-55%), travel agencies (-53%) and cinemas and music publishing (-49%). Of these sectors, only catering, accommodation, travel agencies and artistic activities and entertainment recorded a decline in their paid hourly volume, which was greater than 15% in September 2020.

Sectors where teleworking was possible during the first lockdown, such as services to businesses, financial activities or IT fell back less, on average, in April and were more dynamic than the other sectors in September.

In industry, the automobile sector stood out. Having declined more sharply than the average in April 2020 (-49% in the volume of paid work compared to April 2019), this sector took advantage of the upswing in sales of vehicles at the end of lockdown, with the result that in September 2020, the fall over one year in the volume of work paid by companies in this sector was only slightly higher than in the other sectors (-7%). In aeronautics and shipbuilding, the decline was certainly severe but less so in April 2020, however the volume of work took longer to restart: in September 2020, it was still 10% below its 2019 level.

Given the restrictions that lasted until the beginning of June, the accommodation-catering sector only began to bounce back in June 2020, or one month after the other sectors of activity (Graph 4). However, the decline over one year in the volume of paid work in this sector still stood at 19% in September.

2 - Change over one year in volume of paid work and contributions to this change



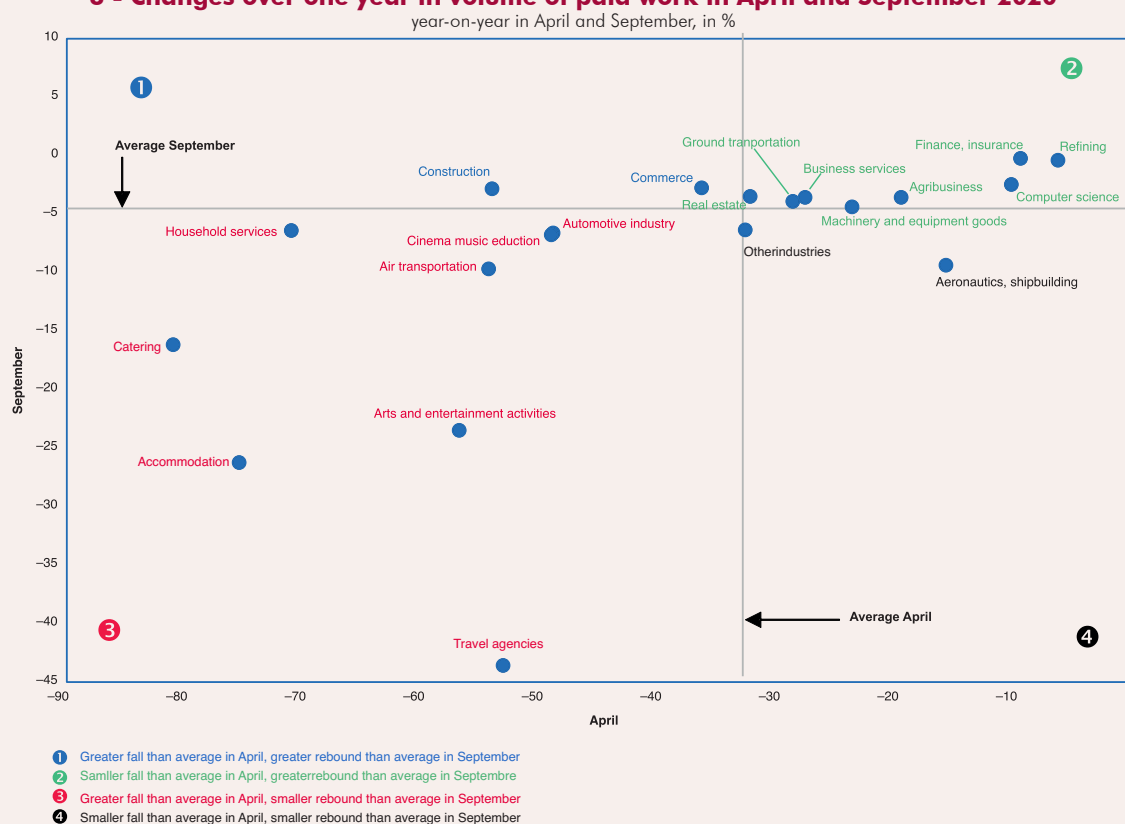
Source: DSN ; INSEE provisional treatment

Situations also varied in different areas

Like the epidemic and depending on the sectoral make-up of the productive fabric and employment in the different parts of the country, the crisis affected French departments differently in April (Focus in *Economic Outlook* of 7 May 2020). Notably, the decline in the volume of paid work was less dramatic in Brittany and more severe in Île-de-France and the departments in the east and the south of the country (*Graph 5*). In September, the variety of situations was less striking overall, especially evident in the tourism sectors, and

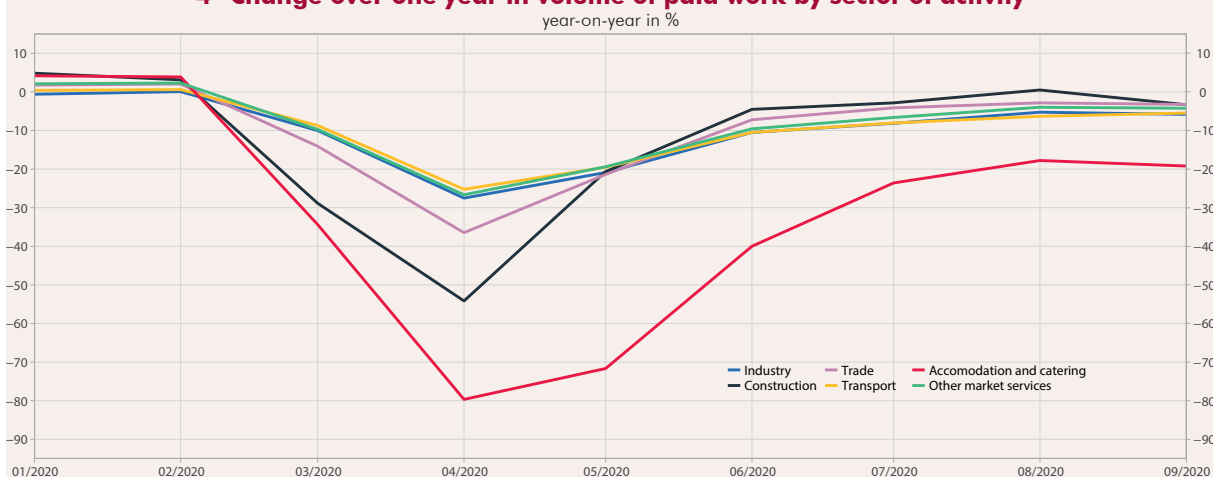
dependent on the economic orientation of the areas. The summer tourist season enabled departments that enjoyed a local or national clientele to bounce back, with a decline in the volume of work over a year in September but which was less pronounced than the average (Focus in *Economic Outlook* of 6 October 2020). However, for departments that usually host large numbers of foreign tourists, Paris in particular and the departments of Ile-de-France, also the departments of the Côte d'Azur, they maintained a below average momentum in September (*Graph 6*).

3 - Changes over one year in volume of paid work in April and September 2020



Source: DSN ; INSEE provisional treatment

4 - Change over one year in volume of paid work by sector of activity



Source: DSN ; INSEE provisional treatment

Fluctuations in the volume of paid work per post were very different, depending on the profession or the age of the employees

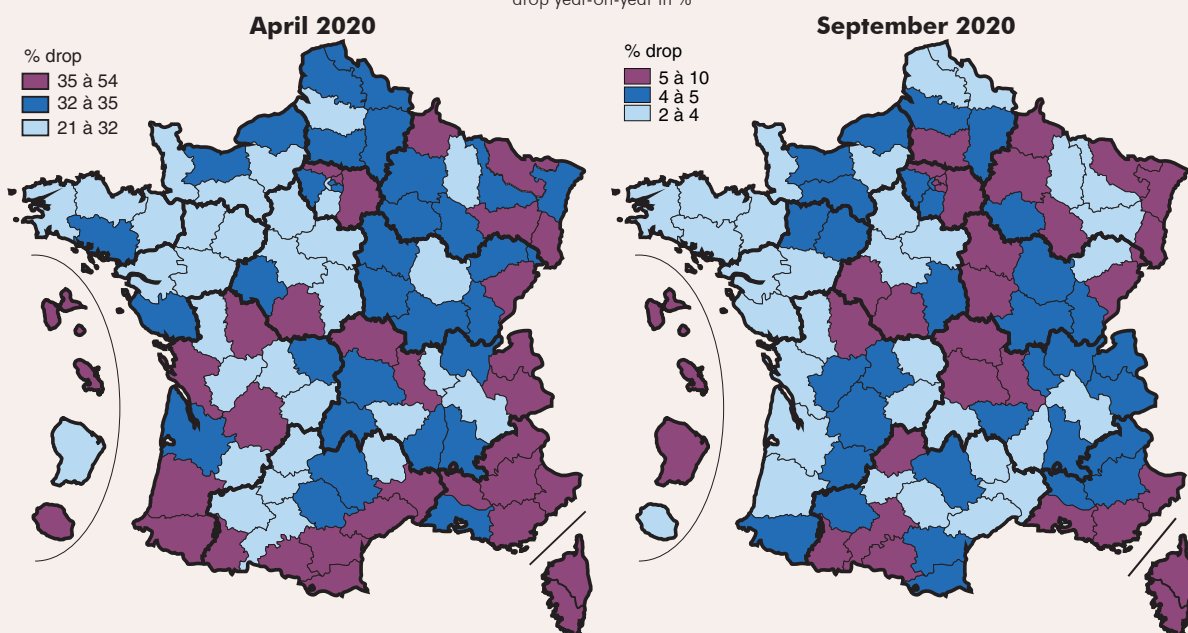
When reduced to employee level, the drop in the average volume of work per post in April for employees (–34%) and low-skilled workers (–32%; *Graph 7*) was particularly significant. For managers, the decline was smaller, as more of them were able

to use teleworking (Jauneau & Vidalenc [2020]). Intermediate occupations were in a mid-position. For all the professions, the decline over a year was later reduced, but only managers returned to their 2019 level in September 2020.

When correlated with socio-professional categories, the decline in volume worked was much greater in April for young people under 25 (–35%).

5 - Changes over one year in volume of paid work by department

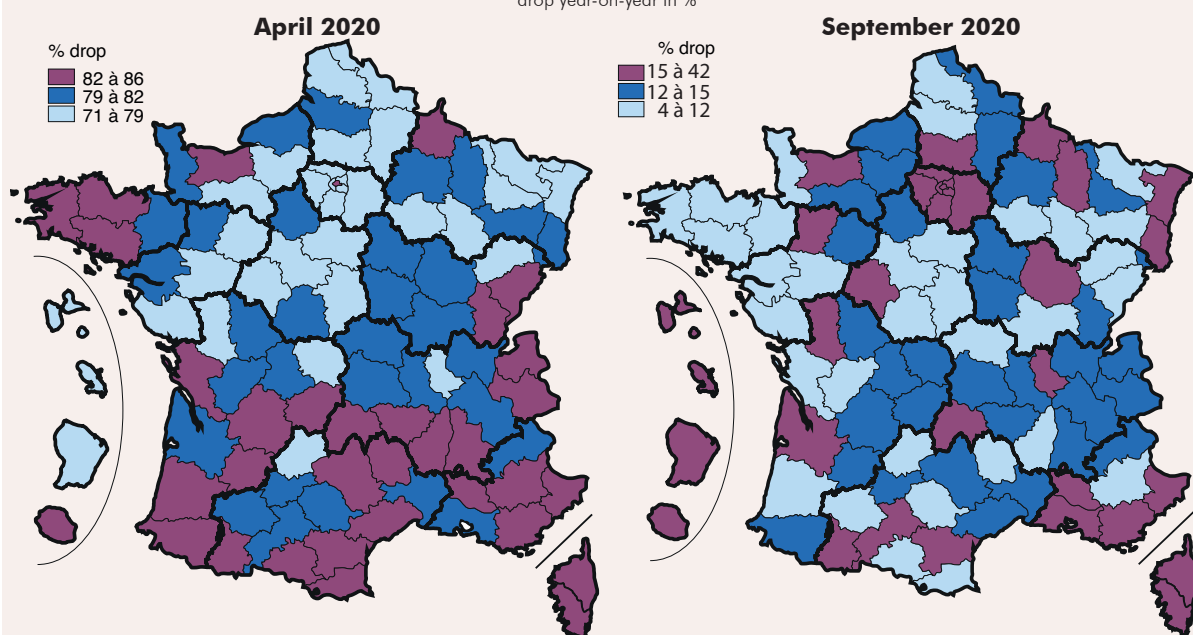
drop year-on-year in %



Source: DSN ; INSEE provisional treatment

6 - Changes over one year in volume of paid work by accommodation and catering

drop year-on-year in %



Source: DSE ; INSEE provisional treatment

French economic outlook

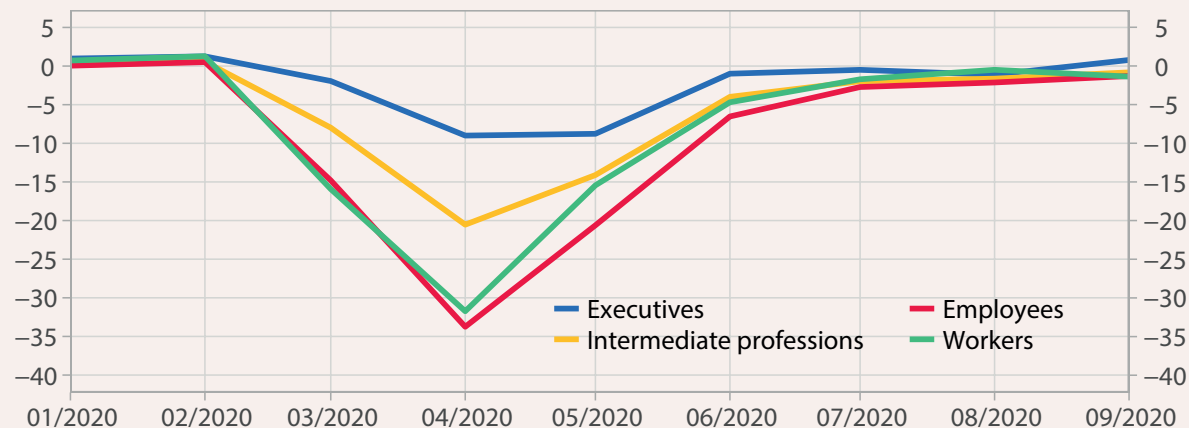
Depending on the type of employment contract, the decline in volume of work per post was similar for those with a fixed-term contract and those with an open-ended contract; it was less for those with a

temporary contract, but for them the adjustment was extensive (the number of temporary workers declined by 27% over the year between mid-2019 and mid-2020) rather than intensive. ■

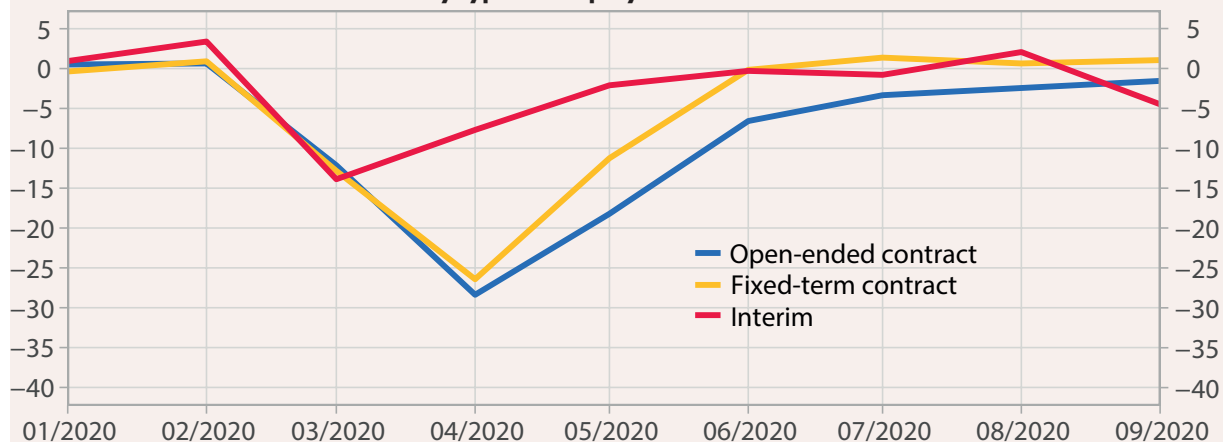
Catherine Renne ■

7 - Changes over one year in volume of paid work per post

year-on-year in %
By profession

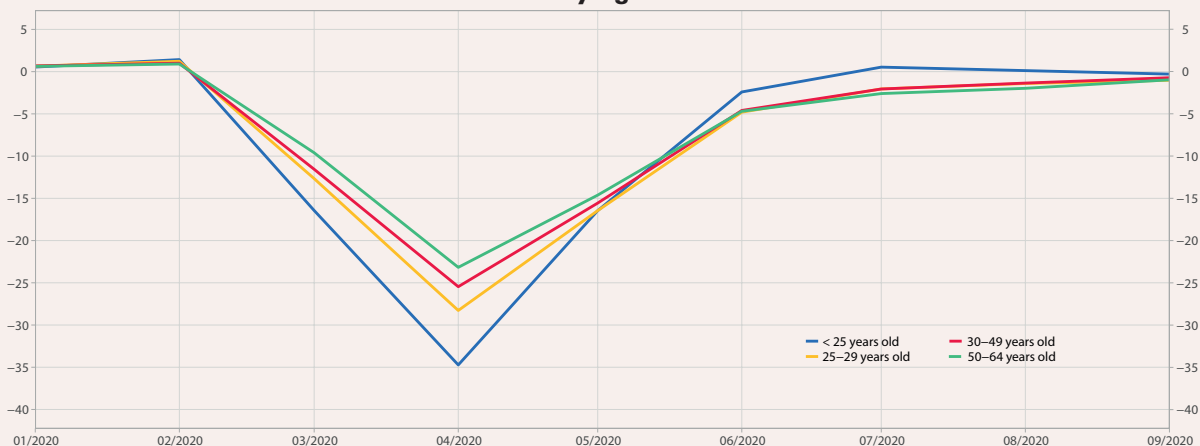


By type of employment contract



Note: for fixed-term and temporary contracts, changes in the number of paid hours per post contain major compositional effects. In 2020, the structure of the jobs for these types of contract was certainly very different from that in 2019.

By age



Source: DSN ; INSEE provisional treatment

Household consumption

After staying very close to its pre-crisis level in Q3, household consumption would appear to have deteriorated slightly in October, mainly due to the tightening of the health restrictions. The introduction of lockdown on 30 October is likely to lead to a much sharper decline in November, although it should be less abrupt than during the first lockdown: consumption is expected to settle at 15% below its Q4 2019 level (against about 30% at the start of the first lockdown). As was the case in April, the spending most severely affected will probably be that on fuel, non-essential manufactured goods and, in services, accommodation and catering, transport and leisure.

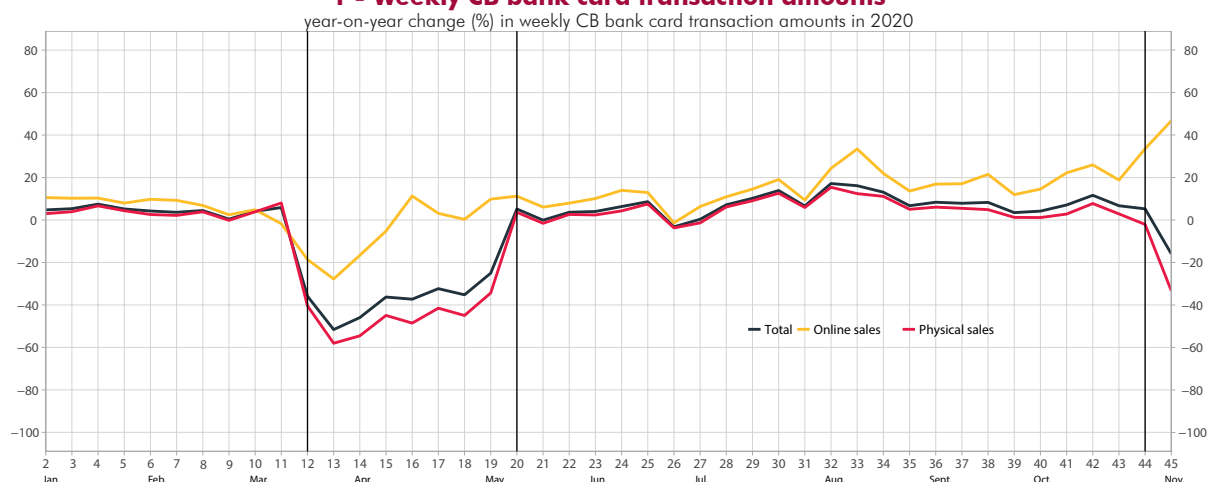
As presented in the *Economic Outlook* of 6 October 2020, publication of the quarterly accounts (first estimate for Q3 published on 30 October) confirmed that household consumption in Q3 remained close to its pre-crisis level (–2% compared to the level in Q4 2019).

Since then, household consumption for October and for the first days of November has been estimated, in a context affected by the tightening of health restriction measures and, from 30 October onwards, by the introduction of a second lockdown. As during the first lockdown, the estimation method consisted in applying

assumptions of loss or gain in consumption to disaggregated goods and services, compared to Q4 2019. These assumptions are based on information from CB bank card transactions and scanner data from several major retail outlets, available up to and including 8 November, with all data aggregated by product. As in April, they reflected both the consequences of the regulatory measures put in place, and specific consumption behaviours (constant need for certain type of product, etc.).

In October, household consumption would appear to have deteriorated slightly compared with the previous three months, settling at 4% below its Q4 2019 level. In fact, the slowdown in CB bank card transaction amounts, already observed in September, continued into October (*Graph 1*). The decline in consumption in October is probably due mainly to reduced spending on accommodation and catering, in connection with the successive tightening of health restriction measures (partial or complete closures of bars and restaurants in some major cities, curfew introduced on 17 October in some departments then extended to others on 24 October). Consumption of manufactured goods appears to have remained buoyant, despite less expenditure on fuel and fewer purchases of transport equipment.

1 - Weekly CB bank card transaction amounts



How to read it: in week 45 (2-8 November), the total amount of CB bank card transactions was 16% lower than the amount for week 45 of 2019

Note: the dynamism of these transaction amounts from March onwards may be due to a higher proportion of payments by bank card.

Source: Cartes Bancaires CB, INSEE calculations

French economic outlook

The introduction of the second lockdown on 30 October is likely to lead to a much sharper decline in November, with consumption at 15% below its Q4 2019 level. The CB bank card transaction data do indeed show a significant decrease in transaction amounts for the first full week of lockdown (week 46) and in the previous week too, which was affected by a decline in physical sales. Online sales, on the other hand, showed a dynamic upward trend, offsetting overall loss, in contrast to what had been observed during the first lockdown (*Focus*).

Although consumption of industrial goods was above its Q4 2019 level from June onwards, it is likely to settle significantly lower than this in November (–13%, or a contribution of –6 points to total loss of consumption, Table). This sharp decrease will probably be due in particular to the decline in the consumption of fuel, linked with the restrictions on travel, and of manufactured goods such as clothing-footwear or household equipment, linked with the closure of non-essential businesses (*Graph 2*). However, consumption of electrical and electronic products is expected to remain above its pre-crisis level, continuing the momentum that started in May.

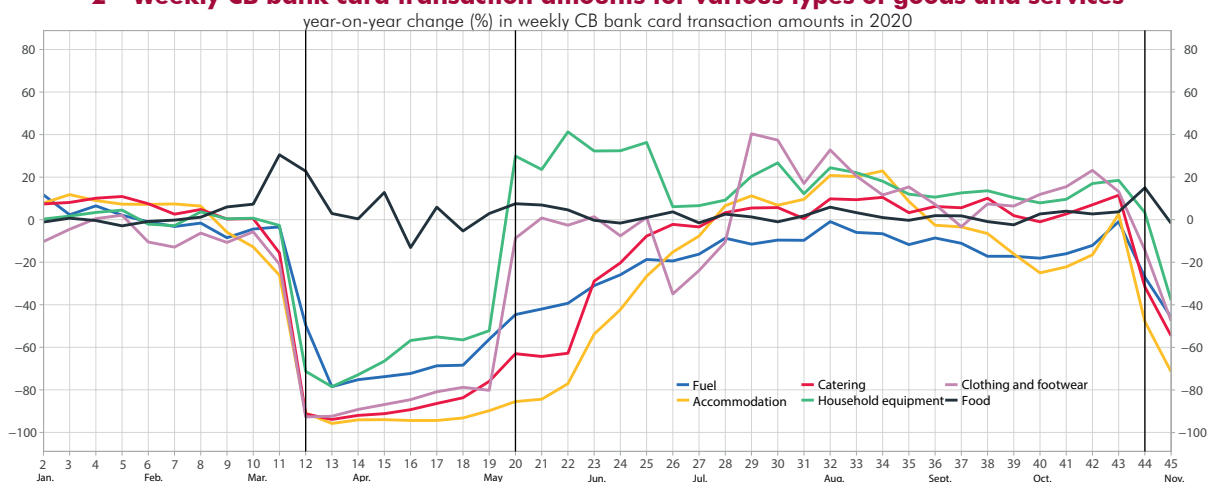
Consumption of mainly market services is expected to be 19% down on its Q4 2019 level (contribution of –9 points to total loss of consumption). The decline in spending on accommodation and catering is the main

contributor to this fall, due to measures in place restricting activity. Spending on leisure is also likely to be affected, also spending on transport services, as was the case in the spring.

In mainly non-market services, consumption is expected to decline more moderately, and settle at 8% below its Q4 2019 level, contributing only marginally to total loss of consumption. The context of the second lockdown, especially with schools remaining open and full access to outpatient care, should certainly ensure a smaller decline in non-market consumption than that observed in April. Similarly, in the construction branch, the introduction of health and safety protocols is expected to ensure that renovation work can continue, but at a slower pace: consumption will probably be 14% below its Q4 2019 level, contributing marginally to the loss of consumption overall.

Compared with the consumption losses recorded in April, the second lockdown is expected to result in a less sudden decline in consumption than in the first lockdown, in all the consumer items affected by this decline (*Graph 3*). Manufactured goods, and especially transport materials and capital goods, are the consumer items where the decline in consumption in November is likely to be the lowest compared to that observed in April. Accommodation and catering are expected to be among the items most affected in November, as was also the case in April. ■

2 - Weekly CB bank card transaction amounts for various types of goods and services



How to read it: in week 45 (2-8 November), CB bank card transaction amounts in catering were 55% lower than in week 45 of 2019.

Note: the dynamism of these transaction amounts from March onwards may be due to a higher proportion of payments by bank card.

Source: Cartes Bancaires CB, cash register data of several supermarket and hypermarket signs, INSEE calculations

Table - Estimated and forecast level of household consumption, compared to Q4 2019

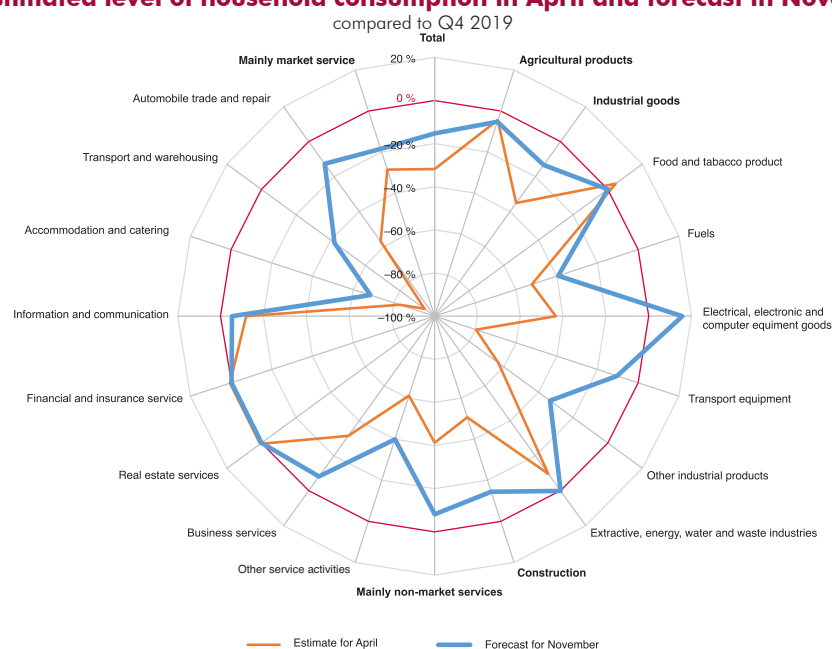
Products	Share of consumption*	Q2 (difference in %)	Q3 (difference in %)	Estimate for October (difference in %)	Forecast for November (difference in %)	Contribution to difference for November (in percentage points)
Agriculture, forestry and fishing	3%	-5	-5	-5	-5	0
Industry	44%	-14	1	2	-13	-6
Manufacture of food products, beverages and tobacco-based products	15%	4	0	2	0	0
Coke and refined petroleum	4%	-29	-5	-10	-39	-2
Manufacture of electrical, electronic, computer equipment; manufacture of machinery	3%	-8	11	27	16	0
Manufacture of transport equipment	6%	-35	1	-6	-10	-1
Manufacture of other industrial products	12%	-25	3	3	-33	-4
Extractive industries, energy, water, waste treatment and decontamination	4%	-2	3	2	0	0
Construction	2%	-24	0	-3	-14	0
Mainly market services	46%	-21	-6	-9	-19	-9
Trade; repair of automobiles and motorcycles	1%	-24	-1	-8	-13	0
Transport and storage	3%	-78	-29	-30	-42	-1
Accommodation and catering	7%	-64	-18	-31	-69	-5
Information and communication	3%	-7	-4	-4	-5	0
Financial and insurance activities	6%	1	1	0	0	0
Real estate activities	19%	1	2	0	0	0
Scientific and technical activities; administrative and support services	2%	-20	-9	-8	-8	0
Other service activities	4%	-39	-15	-18	-40	-1
Mainly non-market services	5%	-22	3	0	-8	0
Total	100%	-17	-2	-4	-15	-15

* weight in final household consumption spending (excluding territorial correction)

How to read it: the level of household consumption in accommodation and catering services in November is expected to be 69% lower than that usually observed in a normal period of economic activity, contributing a 9-percentage point reduction in household consumption overall, compared to Q4 2019.

Source: INSEE calculations from various sources

3 - Estimated level of household consumption in April and forecast in November compared to Q4 2019



How to read it: the loss of activity in accommodation and catering is forecast at -69% in November 2020 against -83% estimated in April (compared to Q4 2019).

Source: INSEE calculations from various sources

The first days of the second lockdown were marked by smaller declines in consumption than in March, mainly due to an increased use of online sales

While 30 October marked the start of a new lockdown, consumption behaviour at the end of October and the beginning of November differed in several respects from that in mid-March. Thus online sales seemed to be much more buoyant than during the first lockdown. Some anticipatory behaviours that had been especially notable in March (food, fuel) were much less noticeable at the end of October. Experience acquired during the first lockdown was probably a factor in explaining these differences.

Since the start of the health crisis, the daily amounts of CB bank card transactions, aggregated by product, and sales in major retail outlets, have been ideal sources of data to analyse household consumption virtually in real time. In the context of the second lockdown, which began on 30 October, these data can be used in particular to compare consumption behaviour between the first and second lockdowns, on the days that preceded them and the days immediately after they came into force.

First, with regard to the total amount of CB bank card transactions, one of the main features of the first lockdown was a peak in purchases just before the lockdown began (on J-1 and to a lesser extent on J-4, *Graph 1*) then a dramatic decline immediately after (on J+1). The second lockdown revealed movements that were rather less sudden: some anticipatory behaviour was visible, especially on J-1 and J-2,¹ but on a smaller scale than in the first lockdown, while the decline in purchases, which was also visible on J+1, appeared less dramatic than in March.

As in March, anticipatory behaviours seemed to be driven by physical sales, as was the sharp decline in purchases immediately after the start of lockdown.

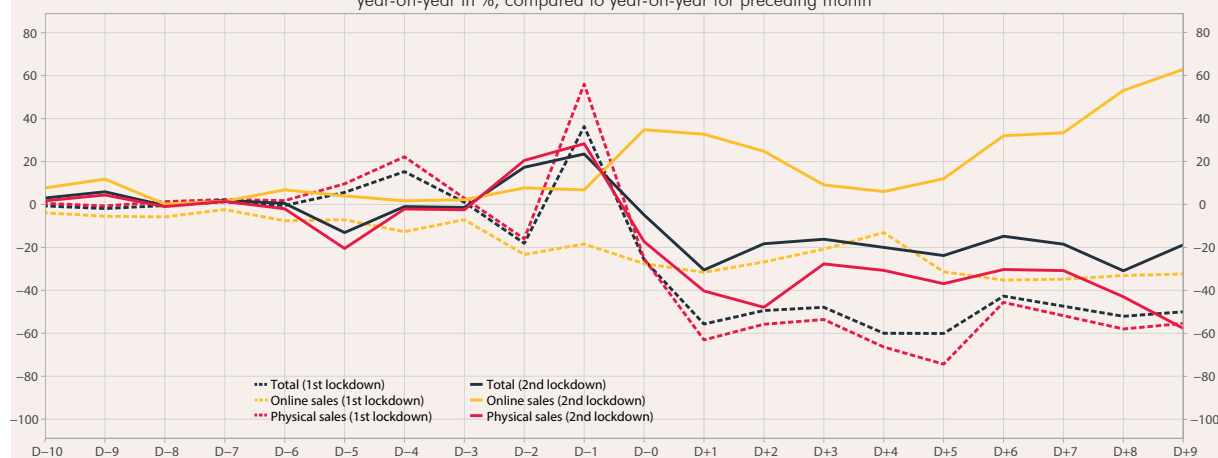
However, the momentum of online sales, which in October accounted for 24% of total transactions, represented a significant difference between the two lockdowns. In March, online payments began to decline several days before the lockdown started, a trend that continued until the beginning of April, whereas in October, no downward trend was visible in the days preceding 30 October. On the contrary, as people went into lockdown this immediately caused a significant increase in online transactions, which continued in its dynamism, sustaining all bank transactions. Thus online sales seem to have taken over from physical sales in these first days after re-entering lockdown.

At a more detailed level of the types of product consumed, other differences emerge between the two periods of lockdown. At the start of the first lockdown, the very low level of spending on fuel, accommodation and catering was an illustration of the consequences of the regulations that came into force on 17 March (drastic decline in mobility, virtually total shutdown of catering and hospitality). The dynamics observed during the second lockdown showed profiles that were less pronounced. In the first place, the decline in transactions of fuel,

1. In particular, the fact that the second lockdown started on a Friday probably meant that households were able to spread out their purchases over the previous days, which would have been more difficult for the first lockdown, which came into force on a Tuesday.

1 - Daily CB bank card transaction amounts

year-on-year in %, compared to year-on-year for preceding month



How to read it: during the 2nd lockdown, on J+1 (31 October 2020), year-on-year change in the total amount of CB bank card transactions was 31% lower than for this same amount in September.

Note: year-on-year changes are shown in relation to the month preceding the start of lockdown (February for the first lockdown, September for the second). In this way the rise in the rate of bank card use since March can be monitored.

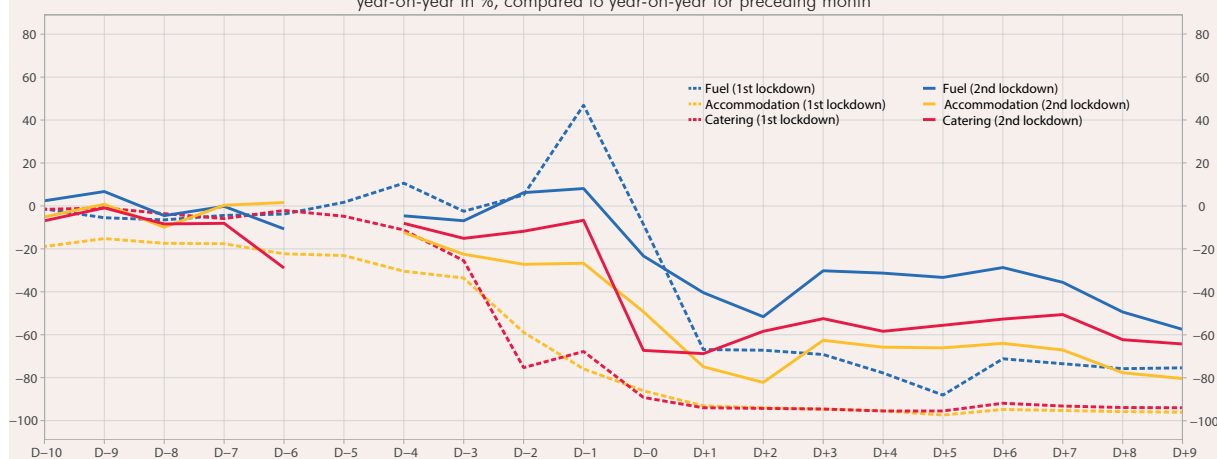
Source: Cartes Bancaires CB, INSEE calculations

catering and accommodation seemed this time to be less drastic than during the first lockdown (Graph 2). With regard to fuel, this may reflect the lesser restrictions on travel by households during the second lockdown: home-work travel continued for those who could not work from home, on the understanding that the activities concerned were able to adapt to operating under health restrictions. With regard to catering and hospitality, the smaller decline in bank card transactions may be linked to growth in takeout sales or to the fact that business trips were maintained, both factors of difference in relation to the first lockdown, but also to the fact that in October the level of activity in these sectors was already in decline.

In the second place, the momentum observed in the days preceding lockdown differed from March to October. This was particularly the case for purchases of fuel, which in March were marked by high levels of anticipatory behaviour that were not seen in October: the experience gained during the first lockdown and the probable reduction in movement of the population during the second lockdown, at a time when schools remained open, probably account for these differences. In accommodation and catering, a sharp fall in consumption began several days before the first lockdown, from J-2, in connection with measures to close restaurants, which came into force two days earlier (Sunday 15 March).

2 - Daily CB bank card transaction amounts for purchases of fuel, accommodation and catering

year-on-year in %, compared to year-on-year for preceding month



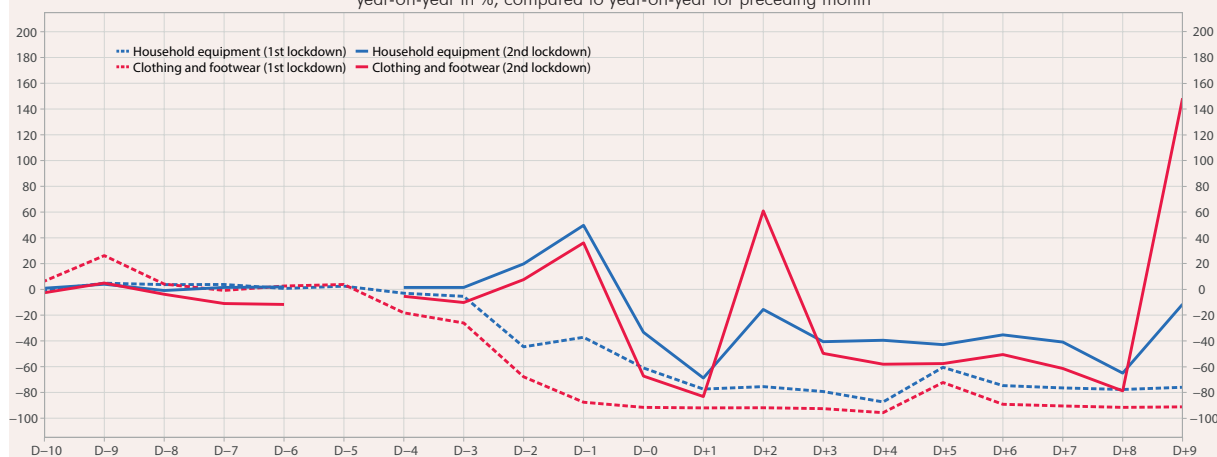
How to read it: during the 2nd lockdown, on J+1 (31 October 2020), year-on-year change in the accommodation and catering amount of CB bank card transactions was 69% lower than for this same amount in September.

Note: year-on-year changes are shown in relation to the month preceding the start of lockdown (February for the first lockdown, September for the second). In this way the rise in the rate of bank card use since March can be monitored. Year-on-year changes for J-5 of the second lockdown (25 October) are not shown as data are only partial for that day.

Source: Cartes Bancaires CB, INSEE calculations

3 - Daily CB bank card transaction amounts for household equipment and clothing-footwear

year-on-year in %, compared to year-on-year for preceding month



How to read it: during the 2nd lockdown, on J+1 (31 October 2020), year-on-year change in the clothing-footwear amount of CB bank card transactions was 83% lower than for this same amount in September.

Note: year-on-year changes are shown in relation to the month preceding the start of lockdown (February for the first lockdown, September for the second). In this way the rise in the rate of bank card use since March can be monitored. Finally, the high year-on-year levels on J+2 and J+9 of the second lockdown are probably linked to the fact that these were Sundays, with purchases made during lockdown following little or none of the seasonality usually seen in a normal period.

Source: Cartes Bancaires CB, INSEE calculations

Concerning durable goods, and more precisely household equipment and clothing-footwear, the main feature of the first lockdown was a fall in bank card transactions even before 17 March, with transaction amount later settling at a very low level, in line with the closure of specialist points of sale (*Graph 3*). The momentum observed since the end of October has shown up several differences. First, bank card transactions suggested a peak in purchases the day before entering lockdown, perhaps linked with experience acquired during the first lockdown or related to the time of year, when this type of purchase is made and which, because of the start of lockdown, could have been concentrated on the previous day. Subsequently, transactions plummeted during the first two days after re-entering lockdown but in the days that followed the profile was less degraded than in the

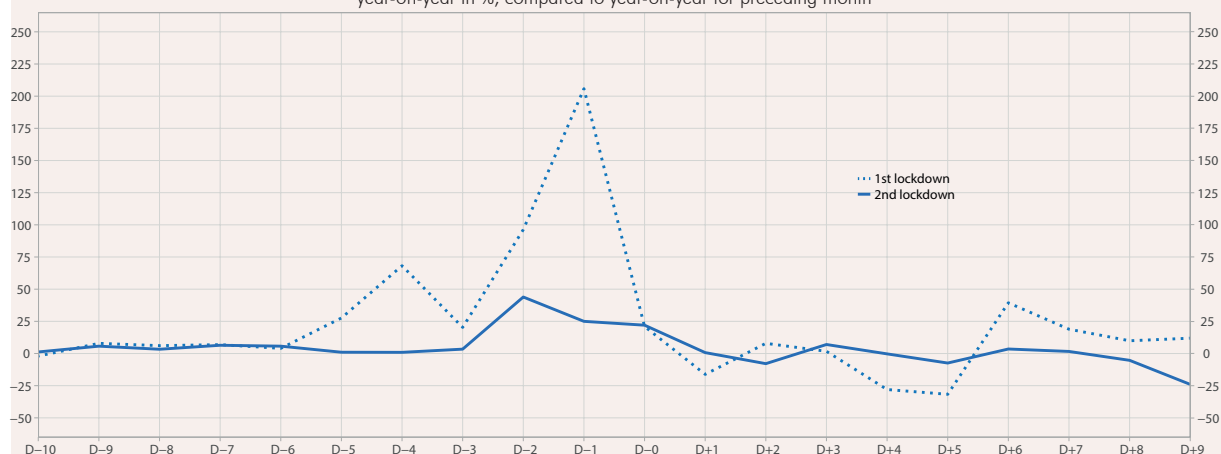
first lockdown, especially for household equipment. The opening of shops selling home equipment and DIY stores, or the boom of online sales noted above, can explain this increase in spending compared to mid-March.

Finally, spending on food was characterised by significant anticipatory behaviour on the day before the first lockdown (J-1 and J-4 to a lesser extent). This type of behaviour could also be seen just before the second lockdown, but on a much more modest scale, probably as a result of feedback from experiencing the first lockdown, when fears of food shortages proved to be unfounded. However, as during the first lockdown, and unsurprisingly, the first days of November saw no drop in food spending at all, as the lockdown situation contributed to an increase in the number of meals eaten at home. ■

Olivier Simon ■

4 - Daily amounts of sales of agricultural and agrifood products by major retail outlets

year-on-year in %, compared to year-on-year for preceding month



How to read it: during the 2nd lockdown, on D+1 (31 October 2020), the sales of agricultural and food products by the mass retail sector showed a year-on-year change of 1% higher than the year-on-year change in these same sales for the month of September.

Note: the year-on-year changes are represented as a deviation from the year-on-year change for the month preceding the entry into force of the containment (February for the first containment, September for the second).

Source: cash register data of several supermarket and hypermarket signs, INSEE calculations

International developments

Economic activity rebounded strongly in Q3 in the main advanced countries, after an unprecedented fall in H1. Supported mainly by the upswing in private consumption, which was itself preserved by budgetary measures, this recovery nevertheless seemed to be only partial: in general, neither output nor employment returned to pre-crisis levels. In Q4, the new restrictive measures taken in Europe in response to the second wave of the epidemic will once again hamper economic activity, especially the consumption of services.

Activity rebounded in Q3 in the major advanced economies

In the summer, the upswing in activity was confirmed in Europe. In the Eurozone, GDP grew by 12.6% in Q3 2020, after –11.8% in Q2. There was a strong rebound in activity in the main Eurozone countries, but the levels of their respective GDPs are still lower than those of 2019, of the order of 4 to 5% in Italy, France and Germany. Spain and the United Kingdom are still suffering more, with a much greater deviation compared to the pre-crisis level (*Graph 1*).

In Spain, growth increased to 16.7% in Q3 (after –17.8%). Nevertheless, the Spanish GDP remained well below its Q3 2019 level (–8.7%). The recovery in production came to a halt in August: after a 9% increase in July, manufacturing output stagnated in August (*Graph 2*). Regarding retail sales, after a strong increase at the end of lockdown, recovery was slower than in the other

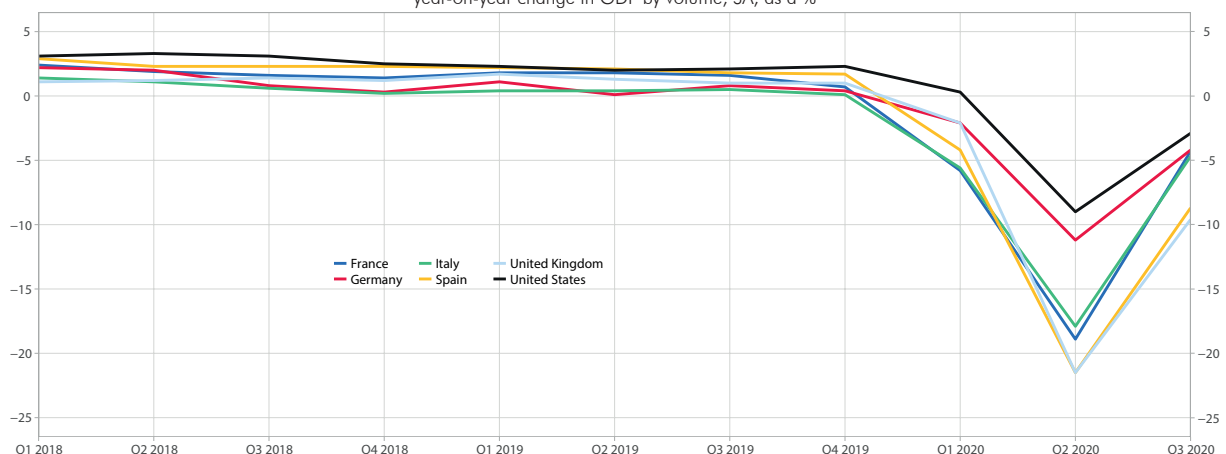
countries. This was the only country where the level of retail sales was lower in August than in 2019 (–2.6%, *Graph 3*). In addition, they fell by 0.4% during September, affected by the new health measures.

Activity in Italy also caught up significantly in Q3 (+16.1% after –13.0%). As in neighbouring countries, GDP remained lower than its Q3 2019 level (–4.7%). Nevertheless, Italy stood out for its manufacturing output which returned to its August 2019 level in August 2020 (*Graph 2*). Production came down in September (–5.7%), however, after a decline in July when the summer sales were delayed, retail sales increased by 8.2% in August, which was slightly above the 2019 level (+0.2%, *Graph 3*). In September, they declined slightly (–0.3%) returning to a little below the 2019 level.

After declining less in the spring than in the other main European countries (–9.8%), activity in Germany increased by 8.2% in Q3. This upswing benefited from the rapid recovery of household consumption: retail sales exceeded their pre-crisis level in Q3 (+5.1% year-on-year, *Graph 3*). However, as in the other Eurozone countries, GDP has not returned to its pre-crisis level: it is still 4.2% lower than in Q3 2019. German manufacturing output stalled in August before recovering in September (+2.0%, *Graph 2*). On average over Q3, the manufacturing output index was still down on its 2019 level (–10.2%).

After falling dramatically by 19.8% in Q2, the UK GDP grew by 15.5% in the summer, resulting in a growth overhang of –10.7% for 2020. Activity remained at a much lower level than before the

1 - In Q3, activity remained the furthest from its pre-crisis levels in Spain and the United Kingdom
year-on-year change in GDP by volume, SA, as a %



Source: INSEE, Destatis, Istat, INE, ONS, BEA

International developments

crisis (−9.7% compared to Q4 2019). In line with activity, manufacturing output recovered strongly: +14.3% in Q3. However it did not catch up to its pre-crisis level (−6.3% over one year in September, *Graph 2*). Concerning demand, the recovery was more evident: the retail sales index increased by 15.6% in the summer after −9.4% in Q2 (+4.4% over one year in September, *Graph 3*).

Due to a smaller decline in Q2 than in Europe (−9.0%), GDP in the United States rebounded more slowly in Q3 (+7.4%). This rebound was largely due to the upswing in household consumption (+8.9% in Q3), as can be seen from retail sales which overtook their pre-crisis level during the summer (+5.4% in September, *Graph 3*). The housing sector rebounded to record levels since the 2008 crisis, especially building permit requests and housing starts, driven by the effect of low rates and strengthened demand. However, the rebound in activity remains incomplete, with GDP in Q3 still 2.9% lower than its Q3 2019 level, threatened by the spread of the epidemic

and the imminent expiration of support measures aimed at household consumption. As in Europe, production remains very strongly affected by the epidemic: after a substantial rebound until July, manufacturing output seems to be at a standstill, still below its pre-crisis levels (−6% in September, *Graph 2*).

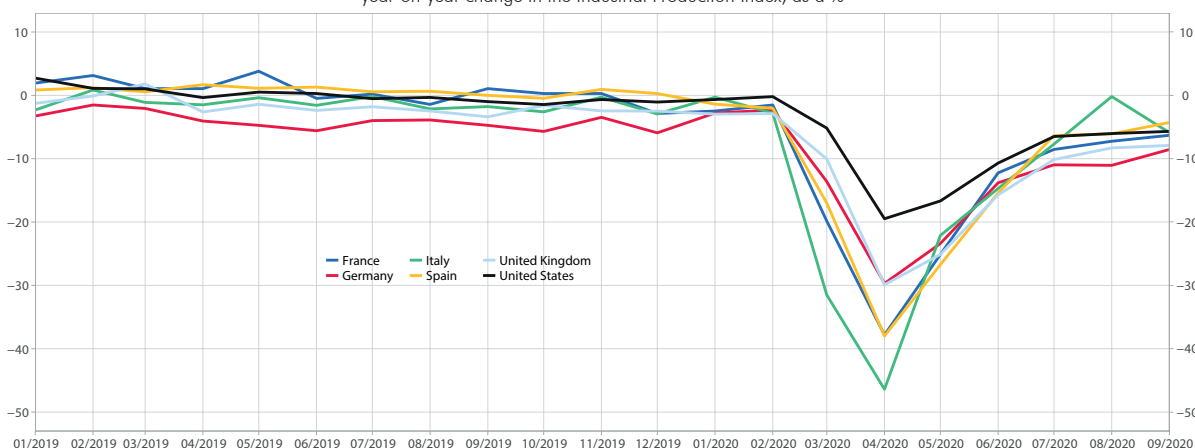
Before the new health measures, the labour market is set to improve slightly in Europe

While the decline in employment in H1 was more severe in the United States than in Europe, the rebound in Q3 was also more vigorous. Among the main Eurozone countries, Spain appears to be particularly badly affected, in terms of both employment and economic activity.

In Germany in Q3, the number of jobs remained stable overall, according to an initial estimate, after 574,000 jobs lost in Q2 (−1.3% compared

2 - European manufacturing output has not returned to its level of one year ago

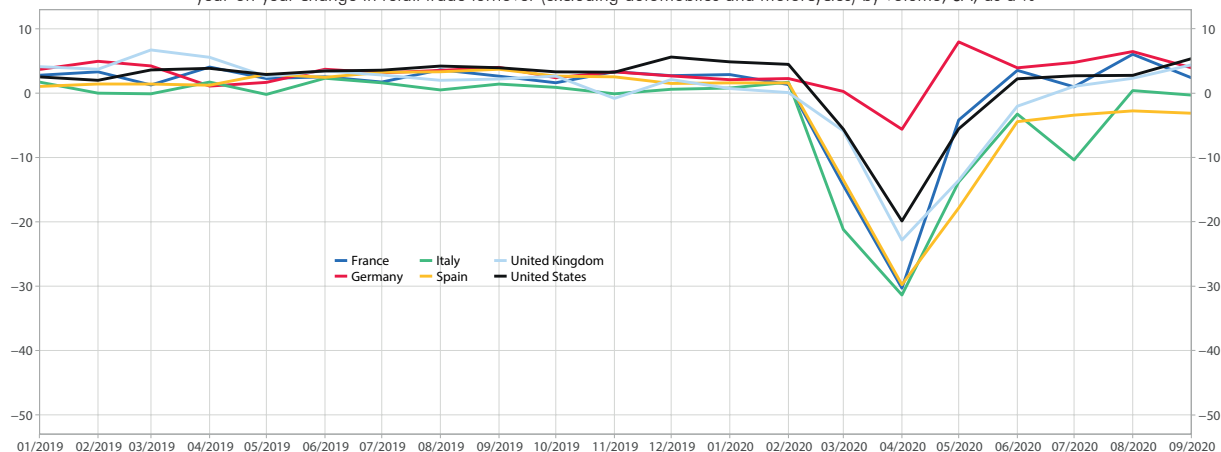
year-on-year change in the Industrial Production Index, as a %



Source: Eurostat, ONS, Federal Reserve Board

3 - Retail sales recovered more vigorously than production

year-on-year change in retail trade turnover (excluding automobiles and motorcycles) by volume, SA, as a %



Source: Eurostat, Census Bureau

to Q1). The unemployment rate increased, affecting 4.4% of the active population in Q3 (against 3.1% in 2019). Faced with the economic consequences of the crisis, the government extended the short-time working scheme by 24 months for requests submitted in 2020.

In Italy, the number of jobs rebounded by 113,000 in Q3, according to ISTAT. Over the same period, the number of ILO unemployed increased by 379,000, resulting in an increase in the unemployment rate of 1.3 points in Q3, with 9.7% of the labour force affected. In September, unemployment was still around 387,000 below its September 2019 level. The government also extended the measures associated with short-time work until the first few months of 2021.

The Spanish labour market suffered more from the effects of the health crisis: the creation of 580,000 jobs in Q3 was only partly able to offset the loss of almost one and a half million jobs in H1. The unemployment rate went up for the third consecutive quarter (16.3% in Q3, after 14.4% and 15.3% in Q1 and Q2 respectively) according to the first estimates by the INE. Between January and October 2020, the number of ILO unemployed increased by 570,000. In addition, the government extended the short-time working measures until 31 January 2021.

In the United Kingdom, the ONS estimated the number of job losses between March and October at 782,000. Despite an increase of 88,000 between July and September, the number of job vacancies remained one third below its level of a year ago, and layoffs reached an all-time high: 314,000 in Q3. The number of hours worked stayed at 12.0% below its pre-crisis level. Unemployment reached 4.8%, a rise of 0.7 points in Q3. The current short-time working scheme is extended until December at least.

In the United States, the upswing in employment continued more steadily than in Europe, with 638,000 jobs created in October, around the same volume as in September (+672,000), bringing the total number of job creations to 12 million since May. However, the job deficit compared to February figures was still 10 million in October, while the pace of job creations seems to be slowing. Unemployment was down for the sixth consecutive month (6.9% in October, after peaking at 14.7% in April), but is still a long way from its pre-COVID levels (around 3.5%). The employment market continues to cause concern, especially due to the rise in the number of long-term unemployed (up by almost half in September, then as many again in October of people unemployed for more than 27 weeks) in a mood of uncertainty surrounding the extension of the special aid for the unemployed.

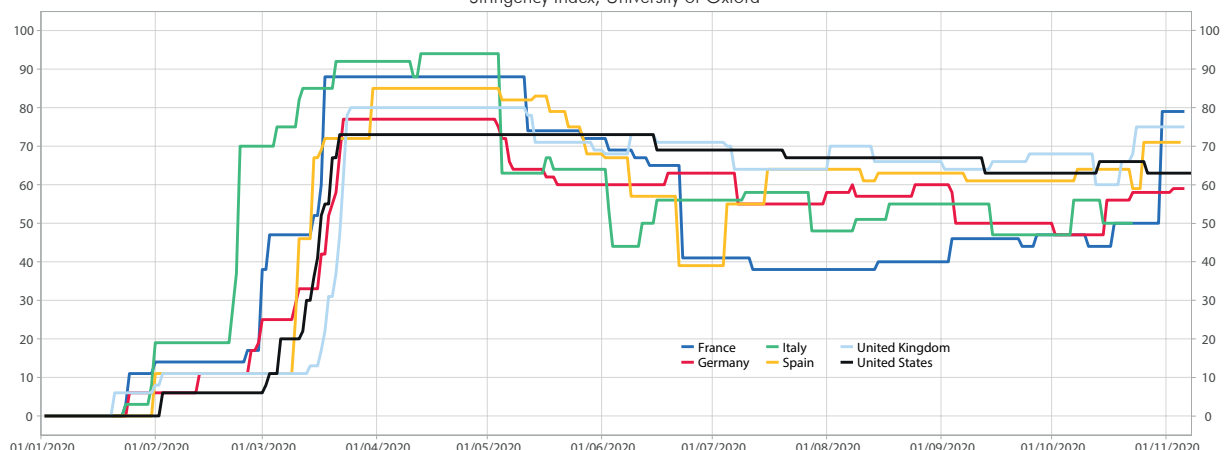
Faced with a second wave of the epidemic, the economic rebound is on hold

Faced with a rebound in the epidemic in several countries, especially in Europe, restrictions have once again been tightened from the end of the summer onwards. This trend is illustrated by the Stringency Index produced by the University of Oxford and the Blavatnik School of Government, which identifies and combines into a single indicator all lockdown health measures, such as restrictions on movement of the population and closures of businesses, administrations and schools (Graph 4).

In Germany, the closure of bars, restaurants and sports and cultural establishments was announced from 2 to 30 November across the country. In

4 - October saw the return of health restrictions

Stringency Index, University of Oxford



Source: Hale, T., Webster, S., Petherick, A., Phillips, T., et Kira, B. (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government

International developments

Italy, the epidemic quickly intensified from the beginning of October, requiring the adoption of restrictive measures (national curfew, closure of cinemas and sports centres, end of service in bars and restaurants at 6pm, distance teaching for high schools and universities, closure of non-essential businesses in a “red” zone corresponding to 32% of Italian GDP). In Spain, the continuing rise in the daily number of cases led to the introduction of a national curfew on 26 October from 11pm to 6am. In addition, 10 of the 17 regions put regional lockdowns in place, in three economic hubs in particular: the community of Madrid, Catalonia and the Basque Country.

Across the Channel, several English metropolitan areas were classified as being at a “very high” risk level in October, requiring the closure of pubs and restrictions on travel. Stricter measures were applied in Scotland and Wales and since 5 November a general lockdown has been in place in England. However, schools remain open. In the United States, the change in the national Stringency Index partially reflects the disparity between local situations, while the health situation is deteriorating rapidly, with more than 150,000 cases daily. The epidemic is now affecting the Midwest in particular, and notably a curfew has been introduced in Chicago. Political uncertainties also remain following the elections: it is still not clear which party will hold the majority in the Senate, while political tensions around the transition process could have economic consequences.

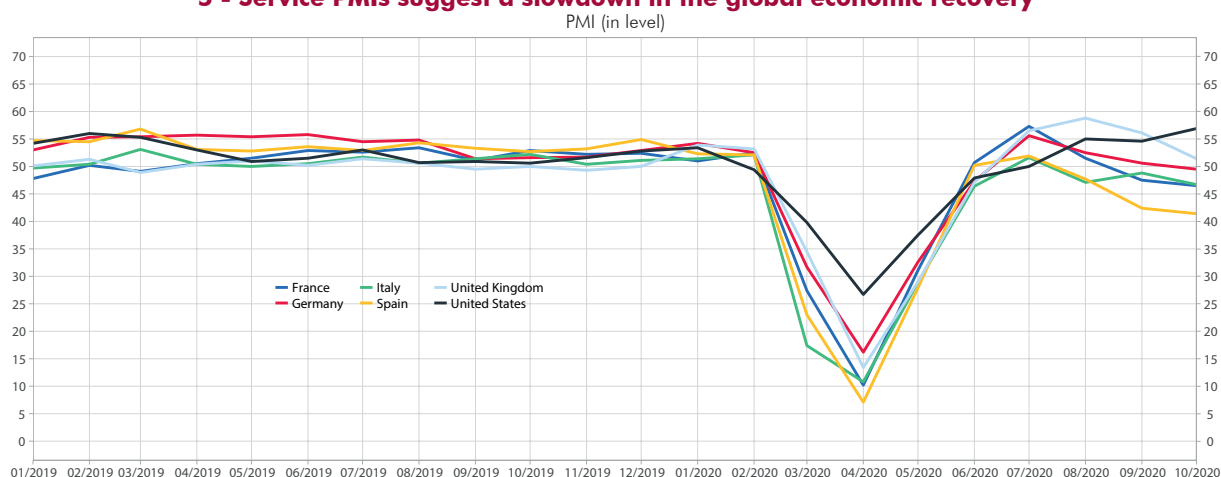
This context of tightening restrictions can be felt in the October PMIs, which reflect a weakened recovery. In Germany, despite the manufacturing PMI continuing to rise above its expansion threshold (58.2 in October), construction and services PMIs have declined since the end of the summer (*Graph 5*). In Italy, service and construction PMIs fell in October, moving below

the expansion threshold (–2.1 points for services, to 46.7 and –3.1 points for construction, to 48.1). Meanwhile, the PMI for the manufacturing sector reached 53.8 in October, or 0.6 points more than in September, suggesting a better resilience in this sector. In Spain, the economic indicators suggest that the recovery has come to a halt with PMIs mostly below the expansion threshold: 41.4 and 44.1 for services and composite PMIs respectively, while only the manufacturing index exceeded the threshold in October (52.5). The manufacturing sector PMI declined in October in the United Kingdom (52.9 after 57.5 on average in Q3) where there is still uncertainty over the outcome of negotiations with the European Union regarding Brexit, less than two months before the end of the transition period. Finally, in the United States, PMIs are above their expansion thresholds (in October, 56.9 for services, 53.4 for manufacturing) suggesting a continuing recovery in Q4, although at a slower pace.

The introduction of restrictive health measures once again reduces mobility in Europe

The tightening of restrictive measures in Europe affects public transport use. The Apple Maps Mobility Trend indicators show a drop in the use of public transport since mid-September, especially in France with the introduction of a curfew in some major cities, and even more so since the start of the second lockdown (*Graph 6*). However, at the moment, public transport use in the different countries remains higher than in April, including in countries that have introduced lockdowns at regional levels (Spain, United Kingdom) or national level (France). Since the United States never reached levels as high as those in Europe, it shows no recent decline and remains at half its pre-crisis value.

5 - Service PMIs suggest a slowdown in the global economic recovery



Source: Purchasing Manager's Index, IHS Markit

In line with public transport use, the TomTom congestion index¹ tumbled, especially in France (from 36.3 in the week of 28 September to 15.3 in the week of 2 November), also in Italy (from 35 to 20) and in Germany (from 37.7 to 27.7), to a level higher than the averages for April (7.4, 8.1 and 18.1 respectively). This index remains at low levels in Spain (15.3 for the week of 2 November), the United Kingdom (25) and the United States (16). Finally, after a partial recovery in the summer, air traffic in the main western countries fell back once again in the autumn: in

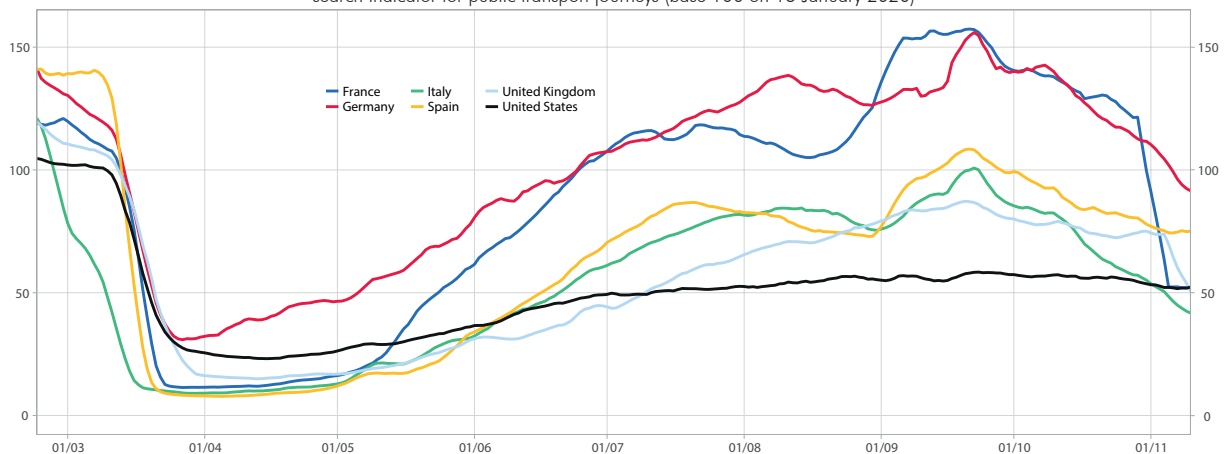
November, it stands between a third and a half of its level of one year ago.

The consequences of the new restrictive measures can also be seen in journeys to the workplace. After an upward trend overall until September, they stabilised in October in various European countries, with the exception of France, where they fell sharply from mid-October (Graph 7). Even without a sizeable reduction, they remained between 60% and 70% of the pre-crisis level in the United States.

1. Between January and March 2020, the TomTom Traffic Index of road congestion for France was between 30 and 45. A congestion index of 30 means that the travel time for a given route is 30% more than in a situation with no traffic.

6 - Public transport use plummeted in France at the end of October

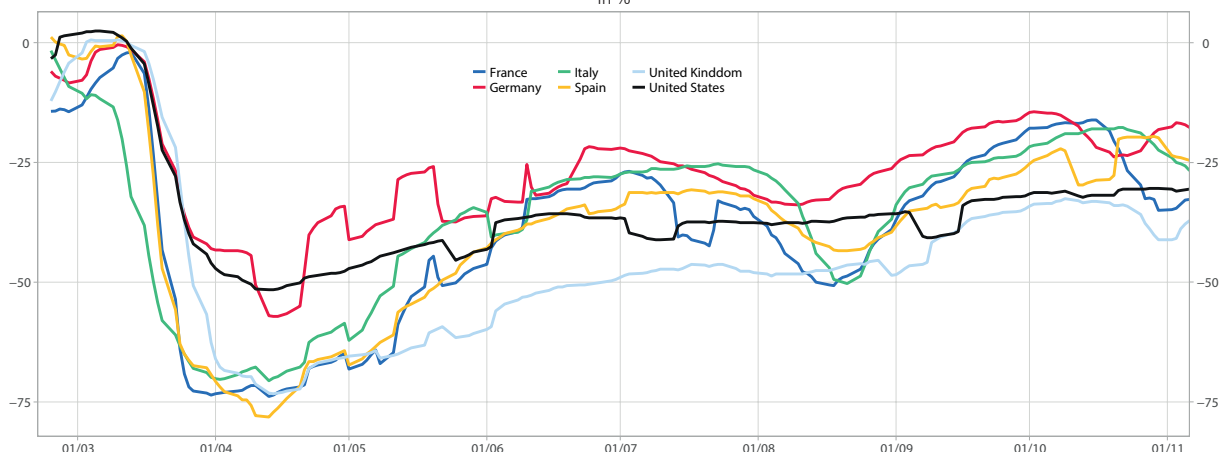
search indicator for public transport journeys (base 100 on 13 January 2020)



Source: Apple Maps Mobility

7 - Travel to the workplace stagnated in Europe and seemed to be starting a decline at the end of October

in %



How to read it: travel to the workplace in Italy on 11 November was 25% lower on average over 7 days compared to the median value calculated by Google between 3 January and 6 February.

Source: Google Maps Mobility

International developments

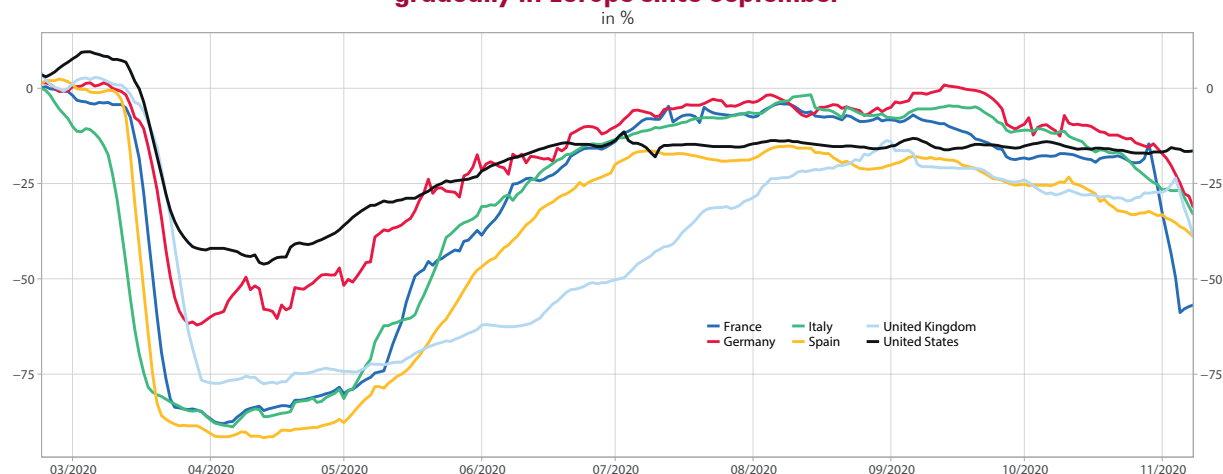
The rebound in the epidemic is causing recreational activities and accommodation-catering to slip back further

After a period of recovery in recreational activities, accommodation and catering since the end of the first lockdown, high-frequency indicators now show a deteriorating situation, as a direct consequence of the tightening of health measures in the different countries. The Google Maps Mobility indicators show a small but steady decrease in the numbers using non-food retail outlets and places of recreation in all the western countries, which began in September.

The introduction of a second lockdown in France, resulting in the closure of non-essential businesses, predictably caused a sharp drop in visitors to non-food retail outlets and places of recreation (Graph 8).

Another illustration specifically of catering activity, was that the number of searches on Google for the word "restaurant" in the European countries this summer returned to pre-crisis levels (Graph 9), with the United Kingdom supported in August, for example, by the "Eat out to help out" government programme providing reductions in restaurants. However, these queries have declined since the beginning of September, falling drastically even in the European countries since the new restrictive

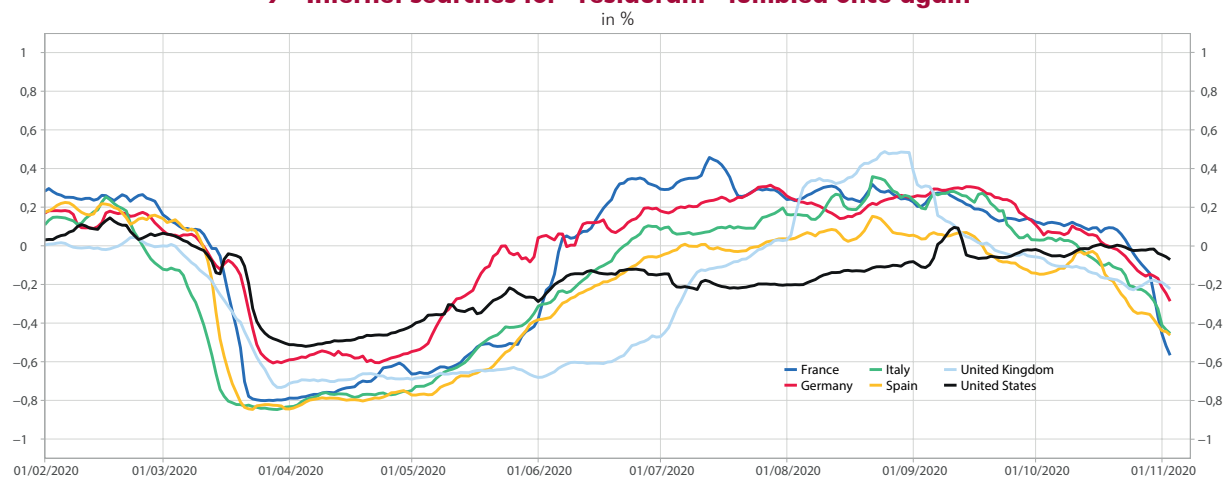
8 - Numbers of people using non-food retail outlets and places of recreation have declined gradually in Europe since September



How to read it: The numbers of visitors to non-food retail outlets and places of recreation in the United Kingdom on 11 November was 25% lower as a 7-day moving average compared to the median value calculated by Google between 3 January and 6 February.

Source: Google Maps Mobility

9 - Internet searches for "restaurant" tumbled once again



How to read it: the 7-day moving average of the number of searches for the word "restaurant" on Google in the United Kingdom on 28 October was 25% lower compared to the average of the 7-day moving averages on 28 October between 2016 and 2019.

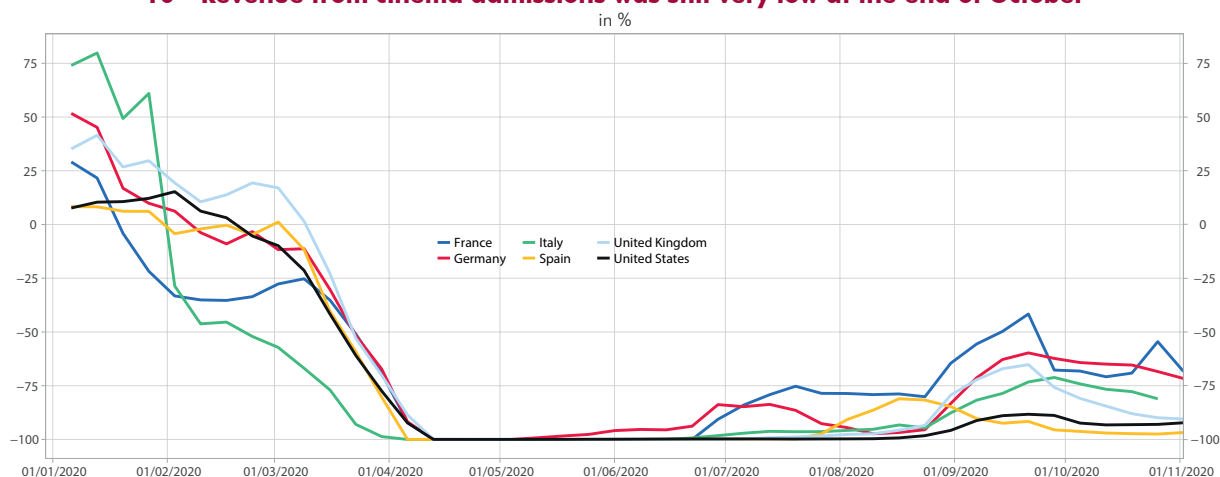
Source: Google Trends

measures came into force. As they never returned to their pre-crisis level, the United States is less affected overall by this recent decline because of new restrictive measures taken more locally and thus not affecting all the States simultaneously.

In the same way, cinema admission revenue reached a break-even point in April and May then brightened slightly, in France in particular, but fell once again in all western countries

(*Graph 10*). This decline has been the most severe in France and the United Kingdom since the end of September, and was already underway in Spain since August. There was a very slight recovery in the United States with many cinemas still closed. This revenue is expected to drop to zero in November, given that cinemas are closed in France, Germany, Italy and the United Kingdom. ■

10 - Revenue from cinema admissions was still very low at the end of October



How to read it: On average over the 4 weeks of October, revenue from cinema admissions was 90% down on its level one year ago.

Source: Box Office Mojo

Box

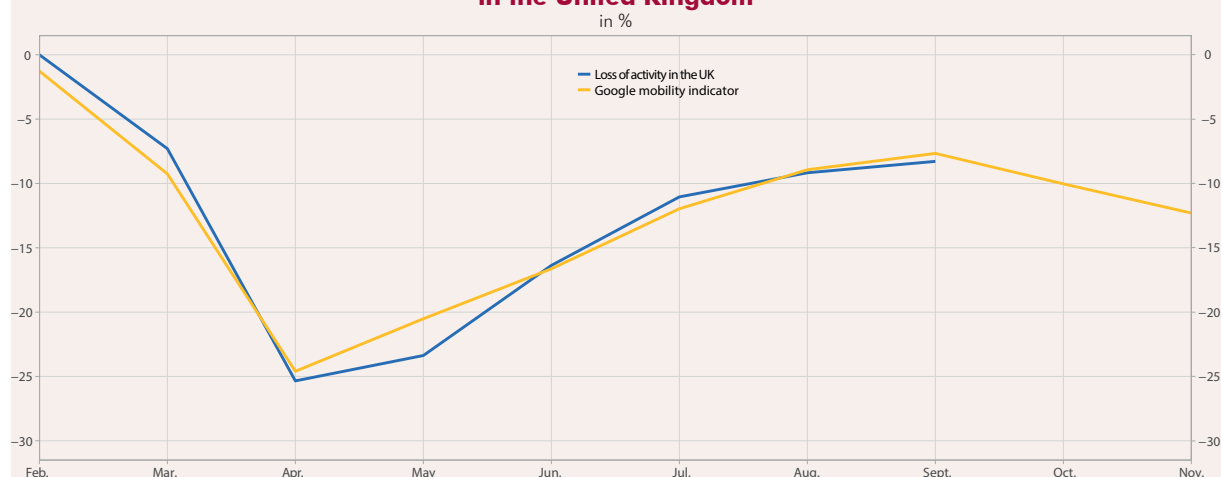
The high-frequency indicator “Google Mobility Residential” seems to provide an accurate record of the global loss of economic activity

The high-frequency indicator “Google Maps Mobility Residential” measures time spent in the place of residence compared to a normal situation, in this case the month of January.

In the case of France, this indicator, taken as a monthly average, shows a strong correlation with the estimated and forecast monthly loss of economic activity (Economic Activity Sheet). This correlation is confirmed in the case of the United Kingdom, which publishes monthly estimates of GDP (Graph 11). In general, time spent in the place of residence increases as attendance at the workplace or places of consumption decreases. The ramping up of teleworking is likely to cause this indicator to increase, without necessarily reducing economic activity.

Although it is not possible to verify whether this correlation remains significant at frequencies higher than monthly, it could be interesting to observe the weekly change in this indicator in different countries (Graph 12). The upward trend since September in time spent in the place of residence is common to all the European countries considered, reflecting the gradual spread of the second wave of contamination. At the beginning of November, time spent in the place of residence increased sharply in France, as the population entered a second lockdown. In the other European countries, where new health restriction measures have also been introduced, the indicator increased significantly but more gradually. This suggests a drop in economic activity in Q4 for the countries concerned. ■

11 - Google Mobility “Residential” indicator and monthly loss of economic activity in the United Kingdom

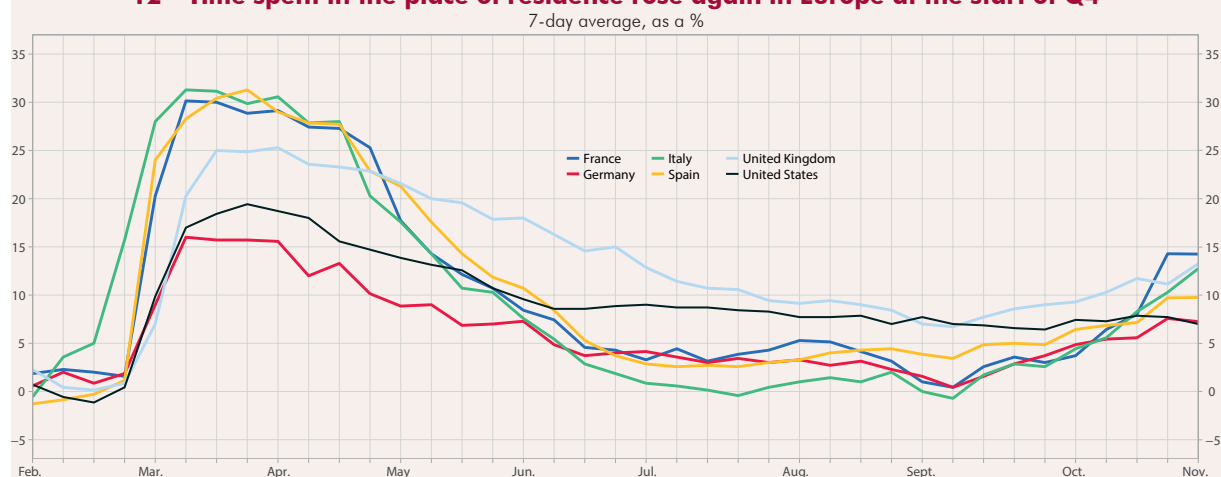


How to read it: the September GDP in the United Kingdom was 9.2% down compared to its pre-crisis level (February 2020), whereas the Google Mobility Residential indicator for the same month shows an average increase in time spent in the place of residence of 8.9% compared to the median level calculated by Google between 3 January and 6 February.

Note: the sign of the Google Maps Mobility Residential indicator has been reversed for easier comparison with monthly loss of activity.

Source: Google Mobility Report, Office for National Statistics

12 - Time spent in the place of residence rose again in Europe at the start of Q4



How to read it: In France, the average number of people visiting their place of residence during the week of 31 October to 6 November was 14% higher than the median value calculated by Google between 3 January and 6 February

Source: Google Mobility Report

